



**JOE MOROLONG**  
LOCAL MUNICIPALITY

**ANNUAL REPORT 2016/2017 FINANCIAL YEAR**

## CONTENTS

## CONTENTS

### CHAPTER 1

<b>MAYOR'S FOREWORD AND EXECUTIVE SUMMARY</b>	06
<b>MUNICIPAL MANAGER'S OVERVIEW</b>	09
<b>POWERS AND FUNCTIONS OF THE MUNICIPALITY</b>	12
<b>FUNCTIONS PERFORMED BY THE MUNICIPALITY</b>	12
POPULATION DETAILS	13
UNEMPLOYMENT RATE	14
LITERACY RATE	14
HOUSEHOLDS	15
MEASURES TO IMPROVE PERFORMANCE	17
SDF EMPHASIS	17
NATURAL RESOURCES	17
SERVICE DELIVERY OVERVIEW	18
FINANCIAL HEALTH OVERVIEW	19
ORGANISATIONAL DEVELOPMENT OVERVIEW	20
INJURIES ON DUTY AND SUSPENSIONS	22
SKILLS DEVELOPMENT AND TRAINING	22
AUDITOR GENERALS'S REPORT	23
STATUTORY ANNUAL REPORT PROCESS	23
ANNUAL REPORT PROCESS	24

## **CHAPTER 2**

### **GOVERNANCE**

POLITICAL AND ADMINISTRATION GOVERNANCE	24
POLITICAL GOVERNANCE	24
AUDIT COMMITTEE	25
MUNICIPAL PUBLIC ACCOUNT COMMITTEE	26
POLITICAL STRUCTURE AND COMMITTEE ALLOCATIONS	28
POLITICAL DECISION MAKING – RESOLUTIONS	44
ADMINISTRATION GOVERNANCE	56
INTER – GOVERNMENTAL RELATIONS	48
PUBLIC ACCOUNTABILITY AND PARTICIPATION	49
IDP PARTICIPATION AND ALIGNMENT	50
WARD COMMITTEES	51
CORPORATE GOVERNANCE	53
ANTI – CORRUPTION AND FRAUD	53
BY – LAWS	53
PUBLIC SATISFACTION OF MUNICIPAL SERVICES	55

## **CHAPTER 3**

### **SERVICE DELIVERY PERFORMANCE**

BASIC SERVICES	56
WATER	58
SANITATION	72
ELECTRICITY	76
WASTE WATER	82

HOUSING	88
ROADS	91
<b>PLANNING AND DEVELOPMENT</b>	<b>99</b>
LOCAL ECONOMIC DEVELOPMENT AND TOURISM	104
<b>COMMUNITY AND SOCIAL SERVICES</b>	<b>107</b>
CORPORATE POLICY OFFICE	116
EXECUTIVE AND COUNCIL	116
FINANCIAL SERVICES	117
HUMAN RESOURCE SERVICES	120
INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)	120
 <b>CHAPTER 4</b>	 <b>121</b>
ORGANISATIONAL DEVELOPMENT PERFORMANCE	121
EMPLOYEES, TURNOVER AND VACANCIES	122 - 124
POLICIES	124
INJURIES, SICKNESS AND SUSPENSIONS	125 - 128
 <b>CHAPTER 5</b>	 <b>136</b>
FINANCIAL PERFORMANCE	136
STATEMENT OF FINANCIAL PERFORMANCE	137
GRANTS	140
ASSET MANAGEMENT	143
SPENDING AGAINST CAPITAL BUDGET	149
GRAP BASIC SERVICES AND INFRASTRUCTURE BACKLOKS	152
CASHFLOW MANAGEMENT AND INVESTMENT	155



CASHFLOW	156
BORROWING AND INVESTMENTS	158
GRAP COMPLIANCE	159
<b>CHAPTER 6</b>	<b>160</b>
AUDITOR GENERAL AUDIT REPORT	160

## **CHAPTER 1**

### **COMPONENT A:**

#### **1.1 MAYOR'S FOREWORD AND EXECUTIVE SUMMARY**

##### **VISION**

A healthy and prosperous local community with equal access to basic services and sustainable development opportunities

##### **KEY POLICY DEVELOPMENTS**

Council has adopted the IDP, Budget and SDBIP for the year under review and these tools have propelled the Municipality to continue to improve the livelihoods of our residents and contribute to the economic growth. There are numerous other policies which Council adopted in order to improve the monitoring and evaluation as well as to improve oversight role played by Councillors and prioritization of activities.

##### **MUNICIPAL PERFORMANCE ON SERVICE DELIVERY**

The Service Delivery, Budget and Implementation Plan (SDBIP) was prepared in consultation with internal and external stakeholders. The Municipality has over the years assessed its performance annually.

11 water projects were planned for and 9 were achieved. 590 sanitation units were planned and all were achieved. 5 internal roads were planned for and 3 was achieved.

1 community hall was planned for and targets for 2016/17 were achieved. Licensing and testing centre was planned for and the targets for 2016/17 FY were achieved.

Performance results are used to inform planning processes every year. Through the SDBIP, council monitor performance on service delivery on quarterly bases, mid-year and annually. All target that were not achieved are identified in the annual performance report with clear reasons for not achieving and corrective measures have been applied in the current financial year.

##### **PUBLIC PARTICIPATION AND ACCOUNTABILITY**

The government adopted a "Back-to-Basics" intervention on local government and called for immediate actions to make local government deliver more efficiently on basic services, including water and sanitation, electricity, human settlements and roads. The

emphasis is based on the need to deploy skilled and qualified staff into key municipal posts, and strengthen accountability and political management.

Annually the municipality budgets for public participation programmes, which includes community consultation on IDP and Budget, ward committees monthly meetings, speaker's forum, IDP Rep forum, meetings with traditional leaders and awareness campaigns.

To us getting back-to-basics means "providing these services in a professional and caring manner that recognizes the human dignity of each resident. Actively communicating and interacting with the community in every ward". Operation Tsiboga has been the Council's machinery to achieve optimum results in terms of delivering basic service to the community.

The Municipality has seen a drastic decline in the number of Community queries as hotline is in full operation with turnaround time of 48 hours to attend to all community queries. Community and Ward Committee meetings are held on regular basis.

The resuscitation of the Speaker's Forum resulted in number of queries attended by Councillors timeously. Stakeholders relations has also been intensified by the number of events held which number of stakeholders especially the Mines were involved from inception of programs until the end. Regular IDP Representative Forum also create a suitable platforms where Sector Departments and Mining houses tabled their plans and incorporated with those of the Municipality.

Additionally, The Municipality embarked on a process of consultation with local community and presented the IDP and Budget for the 2016/17 Financial Year in all wards successfully.

## **FUTURE ACTIONS**

This Council will continue with legacy projects that we successfully flagged for this Municipality. Strengthening relations with Magosi/ Dikgosi and various stakeholders is of paramount importance for the growth and prosperity of Joe Morolong.

We still maintain that the importance of traditional leaders is needed in order to ensure the flow of developmental programmes and projects in the Joe Morolong area are enhanced. As it is our credence that service delivery in its entirety is a shared responsibility between municipalities and traditional leaders. The two arms cannot work in isolation, so they need each other to deal with challenges.

## **AGREEMENTS / PARTNERSHIP**

Our community solely depends on the municipality in terms of developments and it is also the only sphere of government which is closer to them. Joe Morolong Local municipality is also identified as the CRDP nodal area in the province, this municipality is faced with serious challenges in addressing backlogs regarding basic service i.e. water, sanitation, roads, electricity and refuse removals.

The Department of Cooperative Governance and Traditional Affairs in October 2011 developed a Draft Simplified IDP framework for smaller (B4) municipalities. This guide indicated the areas that we need to focus on fewer functions, with the support from various stakeholders in our instance is MISA. This will assist us to perform better. Our municipality fall under the classification 2 on the vulnerability index we are also ranked low on the National Treasury capacity classification


The Municipality has an ongoing relations and partnership with all stakeholders. Local Forums are utilized as platforms to facilitate this process on quarterly basis.

## **CONCLUSION**

In conclusion, let me take this opportunity to thank the Council of Joe Morolong Local Municipality, the Municipal Manager and his administration, Dikgosi, Sector Departments, and all Mining House in our jurisdiction, for a work well done. Working with a winning and dedicated team makes impossible tasks very possible.

President Nelson Mandela emphasized the importance of taking leadership role and courage from *Long Walk to Freedom, 1994*. I quote "I learned that courage was not the absence of fear, but the triumph over it. The brave man is not he who does not feel afraid but he who conquers that fear." Close quotes.

I thank you. Re a leboga..Tsela tsweu багаetsho

(Signed by : , \_\_\_\_\_)

Mayor: Cllr DD Leutlwetse

## COMPONENT B: EXECUTIVE SUMMARY

### 1.2. MUNICIPAL MANAGER'S FOREWORD

We have great pleasure in introducing the 2016/17 Annual Report of the Joe Morolong Local Municipality which is both a legislative and accountability requirement. In terms of Section 46 of the Local: Municipal Systems Act No. 32 of 2000 as amended and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No 56 of 2003, the Municipality must prepare an Annual Report for each financial year and the Mayor must table it within seven months after the end of each Financial Year.

The year under review had its share of successes and challenges from an administrative perspective. However, the Council has continued to strive towards the realisation of its vision to be “a wealthy and prosperous local community with equal access to basic services and sustainable development opportunities” which:

- ✓ Promotes a culture of good governance;
- ✓ Provides effective and efficient municipal services;
- ✓ Invests in the development and retention of human capital to service the local community and its community;
- ✓ Promotes social and equitable economic development;
- ✓ Ensures municipal sustainability and financial viability;
- ✓ Creates a safe and healthy environment; and
- ✓ Places Batho-Pele principles at the centre of service delivery

It is clear that Joe Morolong Local Municipality has achieved major success during the past years – in many instances under very difficult circumstances. There was no magic in achieving this but it was through becoming committed, dedicated and think positive for positive results. There were many lessons to be learnt along the road. The Municipality is, however, now much better equipped and geared towards service delivery than before. Given the current institutional memory, human resources and financial capacity of the Municipality, the IDP seeks to harness synergies

and opportunities in the advances made towards the realization of the all-important goal of a better life for all.

In its history, the Municipality has experienced a number of challenges with respect to audit opinions received, clearly illustrating the necessity to implement a vigorous turnaround strategy.

The well-functioning of the Municipality is based on efficiency and effectiveness of resources which include the personnel and the equipment being used. The commitment was demonstrated by both Officials and the Honourable Councillors. In our Municipality we strongly observe the MFMA which regulates the way in which Municipal funds should be managed.

As a rural based Municipality with huge population we are always hoping to get assistance if possible from the National Treasury through the help of Auditor-General to fund our activities. As a rural Municipality we are not generating much revenue, this has negative impact on service delivery because the needs of the people are more than the revenue we get and the majority claim to be indigent relief.

Other challenges involves lack of housing, high rate of unemployment, poverty and crime. In ensuring that we fulfil our constitutional mandate as per chapter 7 of the Constitution of the Republic of South Africa, 1996 and Chapter 4 of Local Government: Municipal Systems Act (Act 32 of 2000) we call community meetings. These are not just mere meetings but allowing public to chart the way forward for our primary planning tool. They also play an imperative role in enhancing the IDP and also give Council through the use of Officials an opportunity to be problem solvers.

Joe Morolong Local Municipality will continue strive to satisfy the needs of the communities, capacitate employees and Councillors, and utilize our limited resources for the benefit of all. In an endeavour to enhance our service delivery in various departments we make sure to employ skilful people to perform services for which they are employed.

Working with political leadership, administration, other organizations and stakeholders, I am confident that we will be able to accelerate service delivery, and ensure that we create a today that is better than yesterday and a tomorrow that is better than today.

During the financial year under review 2 senior managers contracts came to an end i.e. Municipal Manager and CFO.

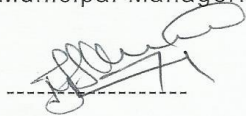
Currently the municipality doesn't have Internal Audit function, Audit and Risk Committee, the agreement on the shared services ended. The

Municipality developed Audit Action Plan which include establishment of Asset Unit.

There are certain services that are provided by sector departments within our municipal area and they have been included in our IDP. Other sector department didn't submit their projects and or programmes in the IDP. The municipality uses IDP Rep Forum to ensure intergration of programmes and projects between the municipality and sector departments.

On behalf of the Management of Joe Morolong Local Municipality we wish to express our appreciation for the political leadership and guidance given by the Speaker of Council, the Mayor and Executive Committee and the Councillors at large during this period. The dedication and support from management and the staff in general have made it possible to achieve the milestones covered thus far.

Municipal Manager: Mr T. Tlhoale

A handwritten signature in dark ink, appearing to be 'T. Tlhoale', is written over a horizontal dashed line.

### **1.3 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW**

#### **Key performance Areas (KPAs)**

- Municipal transformation and institutional transformation
- Local Economic Development (LED)
- Basic Service Delivery
- Financial viability and financial management
- Good governance and community participation

#### **Powers and Functions of the Municipality**

**The mandates of the municipality as contained in section 152 of the Constitution are:**

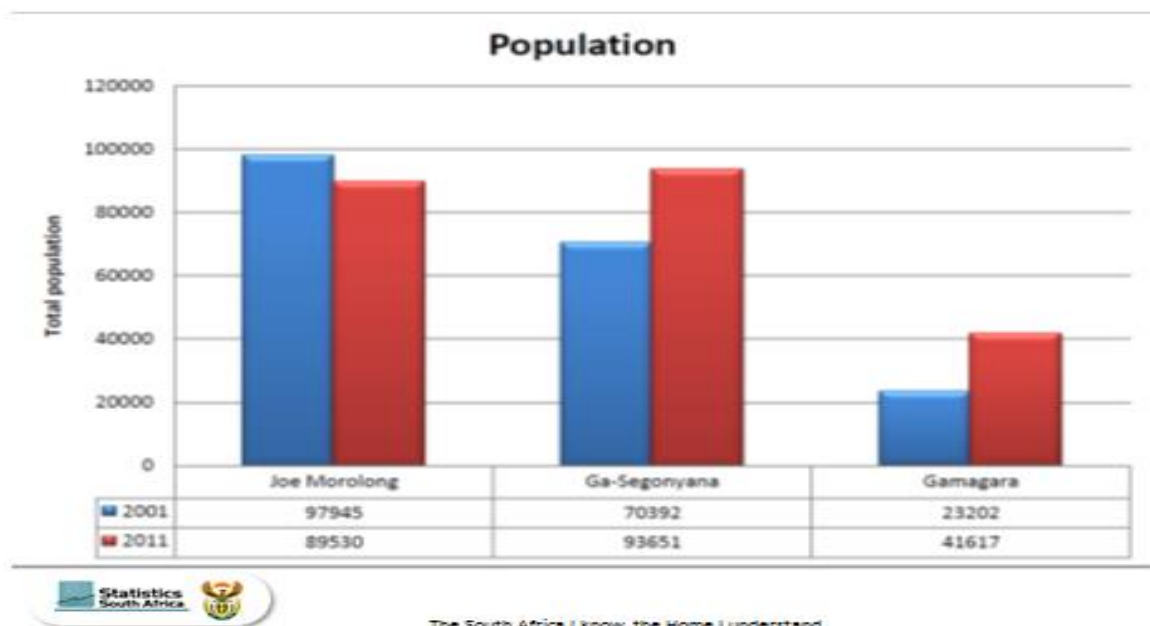
- To provide democratic and accountable government for local communities
- To ensure the provision of services to communities in a sustainable manner
- To promote social and economic development
- To promote a safe and healthy environment
- To encourage the involvement of communities and community organizations in matters of local government

#### **Functions that we perform as a Municipality**

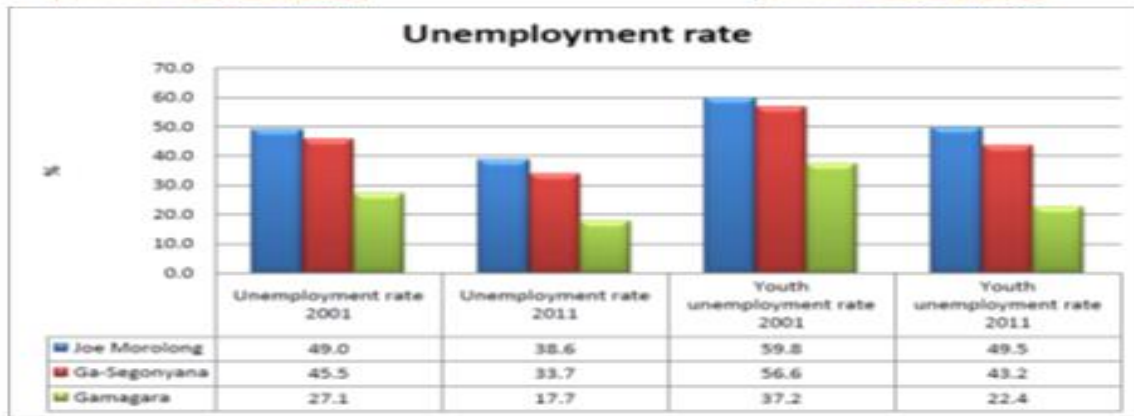
- Cemeteries
- Municipal Planning
- Local Tourism and LED
- Sanitation
- Local Sports facilities
- Municipal roads
- Public spaces
- Street lighting
- Water reticulation
- Operation and maintenance of water
- Environmental awareness campaigns
- Fire fighting (Veld fire)



Population '000									
Age	Year -2			Year -1			Year 0		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4			0			0			12591
Age: 5 - 9			0			0			12144
Age: 10 - 19			0			0			19980
Age: 20 - 29			0			0			12633
Age: 30 - 39			0			0			9048
Age: 40 - 49			0			0			7644
Age: 50 - 59			0			0			7176
Age: 60 - 69			0			0			4533
Age: 70+			0			0			3777

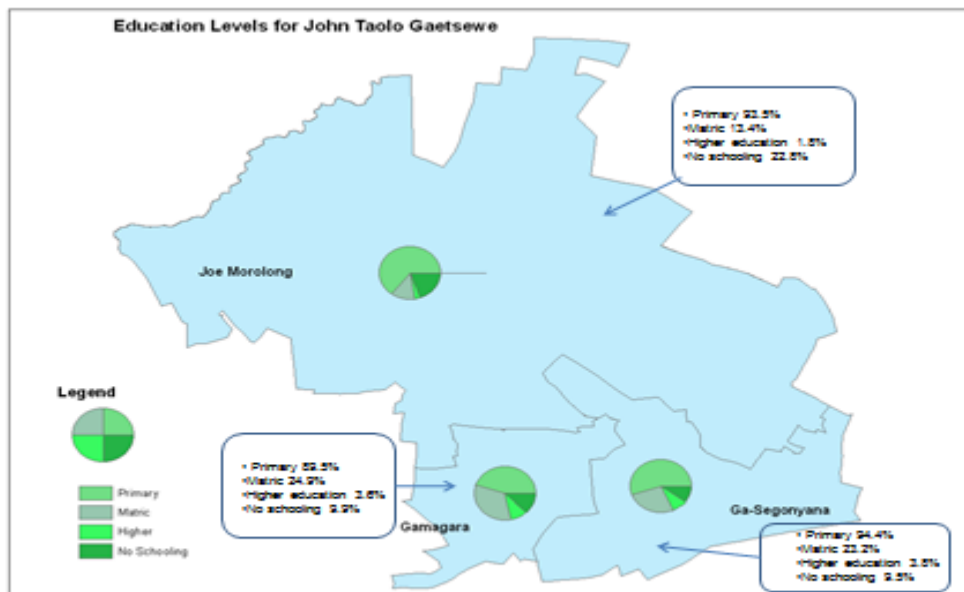


## UNEMPLOYMENT RATE



The South Africa I know, the Home I understand

## LITERACY RATE



## HOUSEHOLDS



Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year 0		49%				22.8%

Natural Resources	
Major Natural Resource	Relevance to Community
Manganese	Contributes to infrastructure and socio-economic development

### Major Natural Resources

Mining, agriculture, tourism and manufacturing have been identified as the major natural resources and economic opportunities in the area. However, mining, being the main natural resources has not benefitted the communities as expected. Natural resources found in Joe Morolong is mainly manganese and sand. The only form of benefit for the community is employment, labour. Majority of the residents of Joe Morolong if not all are not participating fully in the economy of the area which is driven by mining.

The composition of the population of the Joe Morolong municipal area has implications in a variety of areas and concerns. The first is the obvious need for the Municipality to respond to service delivery in terms of Government policy framework for the up-liftment of previously disadvantaged communities. In this regard, target groups would include women, youth and persons with disabilities. The second implications of the composition of the population are in terms of the composition of the staff establishment of the Municipality.

Employees of the Municipality are predominantly black with the main challenge in terms of employment equity to ensure increased access to employment opportunities to persons with disabilities and women. However, the skill shortage in the population area makes the achievement of these targets difficult.

The extremely high level of unemployment and poverty in the Joe Morolong municipal area is a serious cause of concern to the Council. There are a huge demand for educational facilities and institutions of higher learning in our area. The relationship between the high level of illiteracy in the area and the extremely unemployment and poverty levels are self-evident.

There are two critical issues that dominate policy and strategy issues regarding health in the Joe Morolong local municipality area, namely:

- Lack of, and inadequate access to health facilities, with specific reference to clinics; and
- The prevalence of HIV / Aids.

The main disadvantages for the Joe Morolong Local Municipality, in terms of its institutional capacity are:

- The rural and remote location of the municipal area; and
- Poverty-stricken population; resulting in very little of revenue, and huge dependency on government grants.

The high unemployment rate in the municipal area causes a long-term capacity problem, in terms of its restrictive result on access to education and skills development. The result is that limited capacity is generated in the community to appoint persons with sophisticated skills and competencies required to achieve the strategic goals and objectives of the Municipality and give practical effect to the core functions for which it is responsible.

The high percentage of persons employed in elementary occupations in the area further confirms the employment and skills patterns in the Joe Morolong community. The result is that the Municipality is forced to “import” a high percentage of the specialized skills and competencies required to achieve its goals and objectives. The Municipality is seldom able to retain these skills because of the rural nature of the area and the incapability of the institution to offer competitive remuneration packages.

### **Measures to Improve Performance**

From a planning perspective, the IDP Review of the Joe Morolong Local Municipality has been driven by the following underlying principles:

- To ensure strategy alignment within the holistic national, provincial, district and local planning framework; including:
  - (i) Alignment with National Spatial Development Perspective, the Comprehensive Sustainable Rural Development Programme, and the National Government prescribed legislative and planning framework for strategic and performance planning by municipalities;
  - (ii) Targeted Government interventions, with specific reference to the Extended Public Works Programme and NDP.
  - (iii) Alignment with the Northern Cape Growth and Development Strategy; and
  - (iv) The growth and development priorities of the John Taolo Gaetsewe District Municipality.

- Structure the IDP (municipal strategy) in such a manner that it serves as the ultimate performance management reference document for the Municipality; meaning that the municipal objectives and strategies in the IDP must inform the performance indicators and targets of both the Municipal scorecard, as well as that of individual scorecards for section 57 managers in the Municipality.
- To formulate developmental objectives and strategies that reflects the unique challenges of the Joe Morolong Local Municipality.

**The Municipality's Spatial Development Framework emphasizes the following to:**

- ☐ Provide appropriate and affordable housing to the homeless
- ☐ Provide appropriate and affordable water services at acceptable standards
- ☐ Provide appropriate and affordable sanitation services at acceptable standards
- ☐ Provide appropriate and affordable electricity/energy services of acceptable standards
- ☐ Provide appropriate and affordable communication services at acceptable standards

---

### **1.1. SERVICE DELIVERY OVERVIEW**

We are obliged as a municipality to provide quality services to the communities within our municipal jurisdiction. As local municipality we are committed to making the lives of our citizenry better.

We have been able to provide services to the people as per our mandate. Our indigents have been receiving their free basic water and electricity without any hindrance. The collection of refuse in Hotazel and Vanzylsrus has been improved and we are collecting waste twice on a weekly basis.

Improvement in our tracing of debtors has impacted positively on our ability to collect revenue and it has increasing our collection rate.

Establishment of youth forums has assisted the municipality to interact with young people, both out of school, unemployed, employed and those in business as it is a structure that deals with challenges facing young people in our locality.

Functionality of ward committees has assisted the municipality to foster a close relationship with the community and community organizations and in identifying service delivery challenges and attending to them speedily.

### **Achievements**

Spend 100% of the MIG-, Refurbishment- and MWIG budgets

- Submitted AFS, Annual Performance Report, Annual Report and section 72 Report on time
- IDP consultation was successful and was implemented as planned
- IDP and budget adopted on time
- Performance agreement for senior managers signed on time
- We have established 15 ward committees of the 15 wards and they are functional

## Challenges

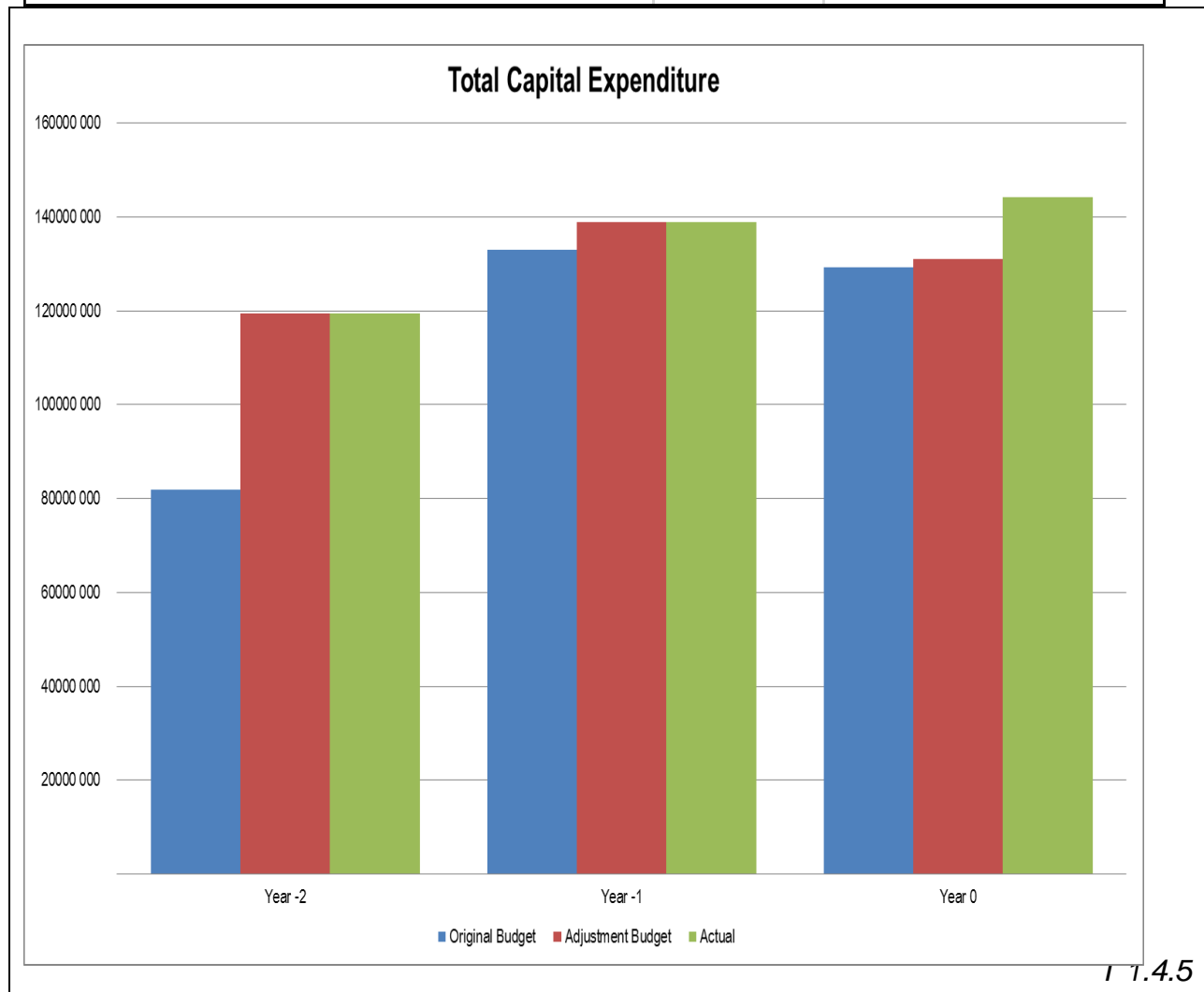
- Municipal inability to complete infrastructure project on time

## FINANCIAL HEALTH OVERVIEW

Financial Overview: Year 0			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	262 798	286 683	306 767
Taxes, Levies and tariffs	26 401	30 931	41 384
Other	839	11 347	12 710
Sub Total	290 038	328 962	360 861
Less: Expenditure			
Net Total*	290 038	328 962	360 861
* Note: surplus/(defecit)			T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	35%
Repairs & Maintenance	17%
Finance Charges & Impairment	1%
	T 1.4.3

Total Capital Expenditure: Year -2 to Year 0			
			R'000
Detail	Year -2	Year -1	Year 0
Original Budget	81 859	133 095	129 224
Adjustment Budget	119 485	138 845	131 115
Actual	119 485	138 845	144 232
			T 1.4.4





## ORGANISATIONAL DEVELOPMENT OVERVIEW

### Corporate services overview

Corporate Services is responsible for the effective and efficient execution of all the supporting administrative functions that include support needed to attract, retain and develop talent in the municipality, the coordination of systems and processes, to enable the municipality to perform matters of service delivery.

The Corporate Services administers the Municipality's human resource development and management, political offices, labour relations, information technology, facilities management and records management.

### Staff establishment

There are 201 employees in the Municipality. The total number of posts as per the approved structure is 220, 19 is the number of vacant posts.

Table 4.1 Staff establishment as at 30 June 2016

Department	Incumbents	Vacancies	Total
Corporate services Department	30	01	31
Municipal Manager (Mayor, Speaker and MM)	12	02	14
Community Services	41	06	47
Technical Services Department	74	09	83
Finance Department	40	01	41
Planning and development Department	4	0	4
<b>TOTAL</b>	<b>201</b>	<b>19</b>	<b>220</b>

### **The following positions were filled during the current financial year**

- ❖ Driver to the speaker
- ❖ Driver to the mayor
- ❖ Personal assistant to the mayor
- ❖ Communication officer
- ❖ Accountant expenditure
- ❖ Special programme clerks x 2
- ❖ Cleaner x 2
- ❖ Artisan mechanic
- ❖ Team leader x 3
- ❖ Ward committee administrator
- ❖ Process control

**Total of vacant position filled was 15**

### **4.3 INJURIES ON DUTY AND SUSPENSIONS**

There was no injury on duty, no suspensions and no dismissal.

### **4.5 SKILLS DEVELOPMENT AND TRAINING**

Table 4.2: Training

<b>Course name</b>	<b>Service provider</b>	<b>Total trained (officials)</b>	<b>Total trained (Councillors)</b>
Municipal Finance Management Programme			
	ARMS	24	
Local Government Law and Administration.	Fort Hare University	2	07
Office Administration and minutes taking	Manchi innovations	1	
Water and Wastewater Treatment operations	Network for Career Development	10	

Cashbook and Main Ledger	Sebata	5	
HR and Payroll	Sebata	4	
Minute taking and report writing	Masana Brainstorming	2	
Records Management	Northern Cape Provicincial Archives	2	
Planning & management of infrastructure engineering services	MISA	3	
SANS 101442 Legal electrical repairing	John west	1	
OHRUS	DHT Wired	1	
<b>Total</b>		<b>55</b>	<b>5</b>
<b>Overall total</b>		<b>60</b>	

## 1.2. AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT: YEAR 0 (CURRENT YEAR)

The municipality got *disclamer* audit opinion for the current financial year. The municipality was disclaimed on the following: property, plant & equipment and revenue

T 1.6.1

### 1.3. STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	January
T 1.7.1		

## **ANNUAL REPORT PROCESSES**

The annual report is intended to inform Council and the community about how we have performed as municipality financially and in achieving our targets as clearly set out in our IDP and SDBIP.

This report also highlights the achievements, challenges and areas that need improvement. Our successes are real and measurable and the fact that we were able to complete most of our infrastructure project is a pride to us, as it contributes not only to service delivery but as a stimulant for an increase in the economic activities.

IDP remains a critical tool that we utilize to plan for our short, medium and long term objectives. This annual report will highlight our improvement in performance and financial management. The municipality improved in the areas of been within the time lines as specified in the above template.

This template has been implemented fully during the year under review and the timeframes adhered to.

## **CHAPTER 2 – GOVERNANCE**

### **COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE**

#### **POLITICAL GOVERNANCE**

The Joe Morolong Local Municipality Council is the highest decision making organ and it governs the Municipality. Council is responsible for developing policies and plays an oversight role over the implementation of those policies.

The governance system of Joe Morolong Local Municipality is a mayoral system that has section 80 committees (HR and administration, Infrastructure, Planning and Development, Finance and IDP, Community Services and MPAC).

The Mayor head municipality and fulfils this task by working together with the councilors. The Mayoral committee is functional and it ensures that there is integration of the work of Council between portfolio committee and respective departments.

The Municipal Council comprises of the governing and decision making body of the Municipality whilst the municipal officials focus on the implementation of the Council resolutions. Council determines the direction of the Municipality by setting the course through the development of IDP and allocation of resources. Council develops policies and the responsibility of the municipal staff is to ensure that those policies are implemented.

## AUDIT COMMITTEE

Our Municipality didn't have an Audit Committee for the year under review. This is in contravention of MFMA section 166.

### Primary functions of the audit committee include:

- Monitoring the integrity of Council financial statements
- Reviewing the effectiveness of Council's internal control and risk management
- Overseeing the relationship between management and the municipality's external auditors
- The Committee will make recommendation to management via Council, resulting from activities carried out by the Committee in terms of the reference
- The compilation of reports to Council, at least twice during a financial year
- To review the quarterly reports submitted to it by the Internal Audit
- Evaluate the activities of the Internal Audit function in terms of their role as prescribed by legislation
- Review audit results and actions plans implemented by management; and
- Making recommendations to Council and also carrying out its responsibility to implement the recommendations

### Municipal Public Accounts Committee (MPAC)

MPAC was established by Council on the 20<sup>th</sup> September 2016, resolution 19/2016/17. In terms of section 79 of the Municipal Structures Act, 117 of 1998.

### The committee is composed as follows

NAME	DESIGNATION
Cllr L. Kaebis	Chairperson
Cllr KJ Modise	Ward Councilor
Cllr N. Mokweni	Ward Councilor
Cllr OJ Earabang	Ward Councilor
Cllr GG Kaotsane	PR Councilor

Cllr MM Nhlapo	PR Councilor
Cllr L. Gwai	PR Councillor
Cllr T. Sesing	Ward councillor

Table 2.3

MPAC did consider the contents of the 2014/15 Annual Report and along with the Audit and Performance Committee submitted a report to Council in March 2015.

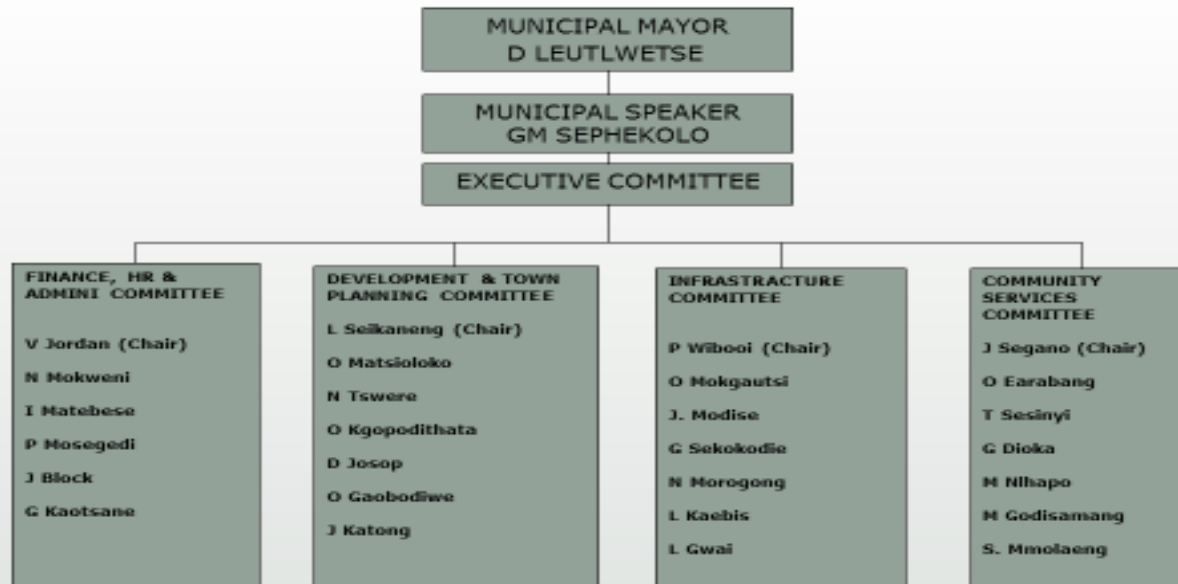
**Number of meetings and attendance: MPAC**

NO.	NAME	NO. OF SCHEDULED MEETING	NO. OF MEETINGS ATTENDED
1	Cllr L. Kaebis	2	2
2	Cllr KJ Modise	2	1
3	Cllr N. Mokweni	2	2
4	Cllr OJ Earabang	2	1
5	Cllr GG Kaotsane	2	2
6	Cllr MM Nhlapo	2	1
7	Cllr L. Gwai	2	2
8	Cllr T. Sesing	2	1

## POLITICAL STRUCTURE AND COMMITTEE ALLOCATIONS

NO OF EMPLOYEES: 29

### JOE MOROLONG MUNICIPAL COUNCIL





## **EXECUTIVE COMMITTEE MEMBERS**



**Cllr D. Leutlwetse**  
**Mayor**



**Cllr GM. Sephekolo**  
**Speaker**



**Cllr V. Jordan**  
**Chair: Finance**



**Cllr L. Seikaneng**  
**Chair: Development &  
Town Planning**



**Cllr J. Segano**  
**Chair: Community Services**



**Cllr P. Witbooi**  
**Chair: Infrastructure  
Development**

### Governance structure of Joe Morolong Local Municipality

STRUCTURE	RESPONSIBLE FOR	OVERSIGHT	ACCOUNTABLE TO
Council	Approve policies	Mayor, Portfolio committee and Audit committee	Community
	Adopt IDP		
	Adopt the Budget		
Mayor	Policies, and Budget outcomes	Municipal Manager	Council
	Oversight over the Municipal Manager		
Municipal Manager	Overall administration	The Municipal administration	To Council through the Mayor
CFO and other senior management	Administration of departments	Financial management and operational functions	Municipal Manager

Table 2.6

The Joe Morolong Council is constituted of 29 Councillors, 15 ward councilors and 14 proportional representation. The parties in Council are illustrated below.

Political parties in Council

POLITICAL PARTY	TOTAL SEATS	WARD SEATS	PR SEATS
ANC	21	15	6
EFF	6	-	6
DA	1	-	1
UCDP	1	-	1
<b>TOTAL</b>	<b>29</b>	<b>15</b>	<b>14</b>

**Table 2.7**

**PORTFOLIO COMMITTEES**

NAME OF COMMITTEE	CHAIRPERSON
Finance, Human Resource and Administration	Cllr V. Jordan
Development and Town Planning	Cllr L. Seikaneng
Infrastructure	Cllr P. Witbooi
Community Services	Cllr J. Segano

Table 2.8

**Number of meetings during the financial year**

TYPE OF MEETING	NO. OF SCHEDULED METINGS	NO. OF MEETINGS THAT REACHED QOURUM
Council	4	3
Exco	4	3
Special Council		10

Table 2.4

**Number of meetings per portfolio committee**

NAME OF COMMITTEE	NO. OF SCHEDULED MEETINGS	NO. OF MEETINGS THAT REACHED A QUORUM
Finance, Human Resources and administration	4	4
Infrastructure Development	4	4
Development and Town	4	4

Planning		
Community Services	4	4
MPAC	2	2

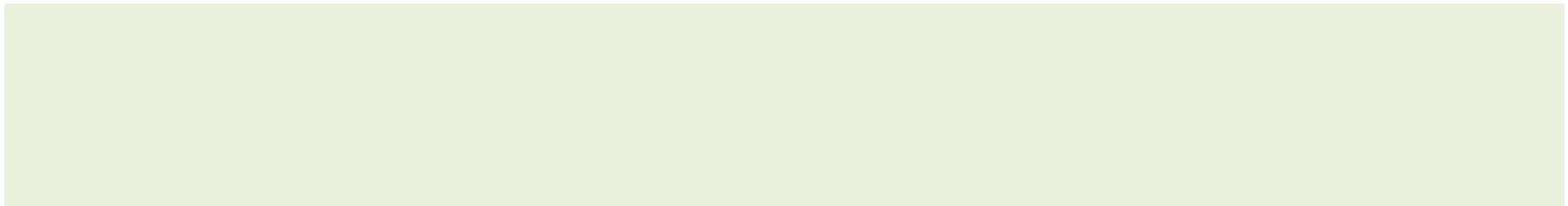
Table 2.5

**Full list of Councillors, committee allocation, and attendance to meetings**

NO.	NAME	WARD/PR	EXCO
1	Cllr D. Leutlwetse	PR	Mayor
2	Cllr GM Sephekolo	PR	Speaker
3	Cllr V. Jordan	PR	Yes
4	Cll P. Witbooi	PR	Yes
5	Cllr J. Segano	PR	Yes
6	Cllr L. Seikaneng	Ward Councilor	Yes

7	Cllr N. Mokweni	Ward Councilor	No
8	Cllr N. Tswere	Ward Councilor	No
9	Cllr J. Block	Ward Councilor	No
10	Cllr J. Katong	Ward Councilor	No
11	Cllr G. Sekokodie	Ward Councilor	No
12	Cllr K. Modise	Ward Councilor	No
13	Cllr O. Mokgautsi	Ward Councilor	No
14	Cllr T. Sesing	Ward Councilor	No
15	Cllr O. Matsioloko	Ward Councilor	No
16	Cllr O. Earabang	Ward Councilor	No
17	Cllr S. Mmolaeng	Ward Councilor	No
18	Cllr I. Matebesi	Ward Councilor	No
19	Cllr D Josop	Ward Councilor	No

20	Cllr O.H. Kgopodithata	PR Councilor	No
21	Cllr M. Nhlapo	PR Councilor	No
22	Cllr M. Godisamang	PR Councilor	No
23	Cllr S. Dioka	PR Councilor	No
24	Cllr K. Mosegedi	PR Councilor	No
25	Cllr G. Kaotsane	PR Councilor	No
26	Cllr N. Morogong	PR Councilor	No
27	Cllr L. Kaebis	Ward Councilor	No
28	Cllr O. Gaebodiwe	PR Councilor	No
29	Cllr L. Gwai	PR Councilor	No



**ATTENDANCE TO MEETINGS****EXCO**

NO.	NAME	NO. OF SCHEDULED MEETING	NO. OF MEETINGS ATTENDED
1	Cllr D. Leutlwetse	4	3
2	Cllr V. Jordan	4	3
3	Cllr P Witbooi	4	3
4	Cllr L. Seikaneng	4	3
5	Cllr J. Segano	4	3

**ATTENDANCE TO SPECIAL COUNCIL MEETINGS**

NO.	NAME	NO. OF MEETINGS	NO. OF MEETINGS ATTENDED
1	Cllr D. Leutlwetse	9	7
2	Cllr GM Sephekolo	9	7
3	Cllr V. Jordan	9	7



4	Cll P. Witbooi	9	7
5	Cllr J. Segano	9	7
6	Cllr N. Mokweni	9	8
7	Cllr N. Tswere	9	7
8	Cllr J. Block	9	9
9	Cllr J. Katong	9	7
10	Cllr G. Sekokodie	9	7
11	Cllr K. Modise	9	8
12	Cllr O. Mokgautsi	9	7
13	Cllr T. Sasing	9	5
14	Cllr O. Matsioloko	9	7
15	Cllr O. Earabang	9	8
16	Cllr S. Mmolaeng	9	7

17	Cllr I. Matebesi	9	8
18	Cllr D Josop	9	9
19	Cllr O.H. Kgopodithata	9	7
20	Cllr M. Nhlapo	9	5
21	Cllr M. Godisamang	9	9
22	Cllr S. Dioka	9	9
23	Cllr L. Seikaeng	9	9
24	Cllr K. Mosegedi	9	5
25	Cllr G. Kaotsane	9	9
26	Cllr N. Morogong	9	7
27	Cllr L. Kaebis	9	9
28	Cllr O. Gaebodiwe	9	9
29	Cllr L. Gwai	9	9

## ATTENDANCE TO ORDINARY COUNCIL MEETINGS

NO.	NAME	NO. SCHEDULED MEETINGS	OF	NO. OF MEETINGS ATTENDED
1	Cllr D. Leutlwetse	4		3
2	Cllr GM Sephekolo	4		3
3	Cllr V. Jordan	4		3
4	Cll P. Witbooi	4		3
5	Cllr J. Segano	4		3
6	Cllr L. Seikaneng	4		3
7	Cllr N. Mokweni	4		2
8	Cllr N. Tswere	4		3
9	Cllr J. Block	4		3
10	Cllr J. Katong	4		3

11	Cllr G. Sekokodie	4	3
12	Cllr K. Modise	4	3
13	Cllr O. Mokgautsi	4	3
14	Cllr T. Sesing	4	2
15	Cllr O. Matsioloko	4	2
16	Cllr O. Earabang	4	3
17	Cllr S. Mmolaeng	4	3
18	Cllr I. Matebesi	4	3
19	Cllr D Josop	4	3
20	Cllr O.H. Kgopodithata	4	3
21	Cllr M. Nhlapo	4	2
22	Cllr M. Godisamang	4	3
23	Cllr S. Dioka	4	3

24	Cllr K. Mosegedi	4	3
25	Cllr G. Kaotsane	4	3
26	Cllr N. Morogong	4	3
27	Cllr L. Kaebis	4	3
28	Cllr O. Gaobodiwe	4	3
29	Cllr L. Gwai	4	3

**ATTENDACE TO PORTFOLIO COMMITTEE MEETINGS**  
**FINANCE, HUMAN RESOURCES AND ADMINISTRATION**

NO.	NAME	NO. SCHEDULED OF MEETING	NO. OF MEETINGS ATTENDED
1	Cllr V. Jordan	4	3
2	Cllr N. Mokweni	4	1
3	Cllr I. Matebesi	4	3

4	Cllr P. Mosegedi	4	3
5	Cllr J. Block	4	3
6	Cllr . Kaotsane	4	3
7			

## INFRASTRUCTURE

NO.	NAME	NO. SCHEDULED MEETING OF	NO. OF MEETINGS ATTENDED
1	Cllr P. Witbooi	4	3
2	Cllr O. Mokgautsi	4	3
3	Cllr K. Modise	4	3
4	Cllr G. Sekokodie	4	3
5	Cllr N. Morogong	4	1
6	Cllr L. Kaebis	4	3

7	Cllr L. Gwai	4	2
---	--------------	---	---

## DEVELOPMENT AND TOWN PLANNING

NO.	NAME	NO. SCHEDULED MEETING OF	NO. OF MEETINGS ATTENDED
1	Cllr L. Seikaneng	4	3
2	Cllr O. Matsioloko	4	2
3	Cllr N. Tswere	4	2
4	Cllr O. Kgopodithata	4	2
5	Cllr D. Josop	4	3
6	Cllr O. Gaobodiwe	4	2
7	Cllr J. Katong	4	1

## COMMUNITY SERVICES

NO.	NAME	NO. OF SCHEDULED MEETING	NO. OF MEETINGS ATTENDED
1	Cllr J Segano	4	3
2	Cllr O. Earabang	4	3
3	Cllr T. Sesing	4	3
4	Cllr M Godisamang	4	1
5	Cllr G. Dioka	4	1
6	Cllr M. Nhlapo	4	0
7	Cllr S. Mmolaeng	4	2

## POLITICAL DECISION MAKING

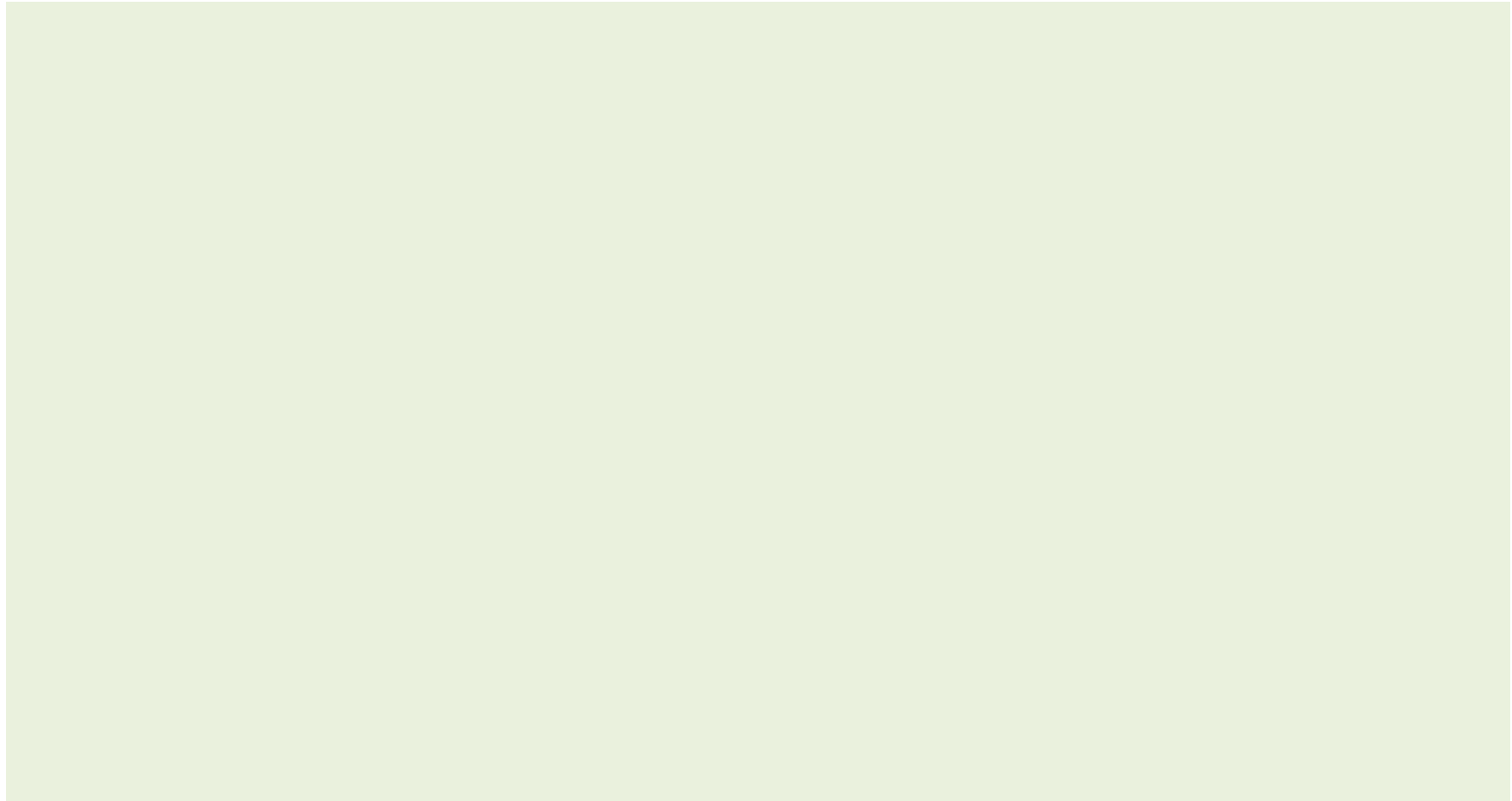
Council is the highest decision making body in the Municipality with legislative and executive powers to direct the municipality politically. Powers of Council are clearly outlined in Section 12 of Municipal Structures Act.

Council sits 4 times a year and a schedule for Council meetings was adopted on the 27 May 2014. Mayor exercises her duties in terms of Section 55 of the Municipal Structures Act. She convenes executive committee meetings on a monthly basis to receive and consider reports from other committees and to formulate recommendations for Council. EXCO ensures the integration of the work of Council across the portfolio committees and departments.



The Speaker is the chairperson of Council and chairs all the meetings. He also oversees the functions of the council committee system. Committees of Council meet on a quarterly basis to formulate recommendations from their respective portfolio committees. The Speaker also monitors the work of councilors in the holding of community meetings and ward committee meetings. He also receives a quarterly report on ward committees meetings and issues they have raised, he then tables the report in Council for decisions to be made in areas that need services.

**RESOLUTION REGISTER: 2016/ 17 FINANCIAL YEAR**



## ADMINISTRATIVE GOVERNANCE: TOP ADMINISTRATIVE STRUCTURE

Tier 1

**Mr. TJ Gopetse: Acting Municipal Manager**

Tier 2



**Mr. TJ Gopetse**

**Director: Corporate Services**



**Mrs. K Mabudi**

**Director: Community Services**



**Mr. T. Tlhaole**

**Director: Technical Services**



**Mrs. B. Motlhaping**

**Chief Financial Officer**



**Mr. KV Phiri**

**Director: Development and Town Planning**

Tier 3

<b>DIRECTORATE</b>	<b>MANAGER</b>	<b>NAME</b>
Office of the Municipal Manager	Legal and Compliance	Mr. BE Khokhong
Financial Services	Manager: Expenditure	Ms. M. Mokubung
	Manager: Income	Mr. V. Christie
	Manager: Financial Controls	Mrs. K Choche
	Manager: Supply Chain Management	Mr. T. Molaolwe
Technical Services	Manager: PMU	Mr. G Malola
	Manager: Water	Mr. K. Sithole
Corporate Services	Manager: Human Resources	Mr. M Segami
	Manager: IT	Mr. T. Molelekwa
	Records Manager	Mr GD Motlhoiwa
Planning and Development	Manager: IDP/PMS	Mrs. MC Melokwe

	Manager:Town Planning	Ms L. Nekhaguma	
--	-----------------------	-----------------	--

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTERGOVERNMENTAL RELATIONS

Section 42 of the Constitution provides that all spheres of government must cooperate with one another in a mutual trust and good faith by establishing and providing for structures to promote intergovernmental relations.

The cooperation of all the spheres of government ensures the synergy and alignment of programmes and maximization of resources instead of working in silos which leads to the duplication of services and wasting of limited financial resources. Joe Morolong Local Municipality is participating in both the national and provincial intergovernmental structures.

### DISTRICT INTERGOVERNMENTAL STRUCTURE

It is in this structure where all spheres of government including business (Mining Houses) and parastatals report in terms of annual plans and quarterly reports on progress on planned activities. This structure is held on a quarterly basis. Normally it is held after the Local Municipal IDP Representative Forum has been held. It is at the Representative Forum where District Sector Departments Report their progress in terms of service delivery, together with other stakeholders. Joe Morolong Municipality then consolidates a comprehensive report for the IGR meeting that includes all the stakeholders in the municipal area.

This meeting is attended by the District Executive Mayor, all Mayors for Local Municipalities, Municipal Managers, Senior Managers in Municipalities and District Managers for Sector Departments and Parastatals. District Executive Mayor is the chair of this structure.

## **PROVINCIAL INTERGOVERNMENTAL STRUCTURE**

This structure is held on quarterly basis. Normally it is held after the District Intergovernmental Forum Meetings have been held. It is at the District Intergovernmental Forum Meeting where District Sector Departments Reports their progress in terms of service delivery, together with other stakeholders. The District will then consolidates a comprehensive report for the PIGR meeting that includes all the stakeholders in the province.

This meeting is attended by the Premier as chair, all Mayors for District and Local Municipalities, Municipal Managers, HODs, Senior Managers in Sector Departments and Parastatals.

## **COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION**

### **PUBLIC MEETINGS**

The public participation programme of the Joe Morolong Local Municipality is intended to create opportunities for the political principals to be actively involved in the sharing of information about what government and in particular the Joe Morolong Local municipality is doing to improve and add to the betterment of the lives of the community.

Through public participation greater access to the decision-making processes of the municipality to all its stakeholders is opened up.

It implies that members of the general public or representatives of the affected community or the role players are actively involved in the planning process of the district municipality.

To accomplish the above the municipality has developed a public participation plan which was done in collaboration with other role players; stakeholders and sector departments in the area of jurisdiction of the municipality.

Public Participation Plan approach that have been adopted by Cabinet in May of 2010 which requires all political principles to have at least 10 public events for the financial year.

Through the public participation approach the municipality has strengthened and enable good governance and sustained service delivery.

It is therefore crucial that the stakeholders of the municipality continue to be involved in the affairs of the municipality.

The public participation processes that has been improved as follows:

- ✓ Ward meetings;
- ✓ Budget Consultation meetings;
- ✓ Integrated Development Planning (IDP)
- ✓ Joint Outreach Programmes with other sectors of government;
- ✓ Annual performance management feedback meeting; and
- ✓ Media briefings.

The JMLM revamped its official website in this financial year. The old website was found not to conform to the requirements of the Municipal Finance Management Act, 56 of 2003 (MFMA) in terms of the information regarding the financial status of the municipality that must be displayed on the website.

## **IDP PARTICIPATION AND ALIGNMENT**

### **IDP/Budget participation**

The Municipal System Act states that the Municipality must have a five (5) year vision for the long-term development of the Municipality and development priorities, which must be aligned with national and provincial sectoral plans and priorities. The IDP and Service Delivery Budget Implementation Plan (SDBIP) are reviewed and adopted annually by council. Municipal Performance is measured through the SDBIP, quarterly reports, mid-term report and annual report.

Annually the Municipality must base their performance against performance measure as clearly outlined in the SDBIP. The SDBIP includes the annual service delivery agenda of the Municipality as it is spelt out in the IDP document.

The IDP Representative Forum has been functional with sector government departments participating, government entities (eg Eskom and Sedibeng Water) and mines within our municipal jurisdiction. They have been reporting on the progress on the programme and projects that they are implementing in our municipal area. The participation of other government departments has not been satisfactory; especially the Department of Health who have attended only one meeting despite invites being faxed, e-mailed and hand delivered.

## WARD COMMITTEES

The Local Government: Municipal Structures Act, 1998 says: The objective of a ward committee is to enhance participatory democracy in local government. Ward committees are a part of local governance and an important way of achieving the aims of local governance and democracy mentioned in the Constitution, 1996.

The Local Government: Municipal Structures Act, 1998 is the Act that makes provision for the establishment of ward committees as a possible way of encouraging community participation in municipal matters. A general understanding has emerged that a ward committee is an area-based committee whose boundaries coincide with ward boundaries.

All the 15 ward committees are functional and they have been holding their monthly meetings consistently and quarterly reports have been submitted to Council.

*T 2.4.2*

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Community participation for the IDP and Budget Review	11 – 21 October 2016	29	15	Differ per village	Yes	12 – 26 April 2017

Council has had two community consultations for the purpose of developing / reviewing the Integrated Development Plan and Budget. The first meeting was for identifying community needs and followed by the second one to provide feedback in terms of available budget for implementation of identified projects and programmes. These meetings were also used as a good platform for introduction of councillors to the community.

*T 2.4.3.1*

<b>IDP Participation and Alignment Criteria*</b>	<b>Yes/No</b>
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	
<i>T 2.5.1</i>	



## COMPONENT D: CORPORATE GOVERNANCE

The Municipal Council comprises of the governing and decision making body of the Municipality whilst the municipal officials focus on the implementation of the Council resolutions. Council determines the direction of the Municipality by setting the course through the development of IDP and allocation of resources. Council develops policies and the responsibility of the municipal staff is to ensure that those policies are implemented.

### RISK MANAGEMENT

The municipality doesn't have a Risk Management Unit and this is in contravention of MFMA 62(1)(c)(i)

### ANTI-CORRUPTION AND FRAUD

There was no case pertaining to corruption and fraud. The Municipality has developed and adopted Fraud Prevention and Anti-corruption Policy.

### BY-LAWS

By-law	Department
By- law for Water	Technical Services
By-law for Environment	Community Services
By-law for Cemeteries	
By-law for Building Control	
By-law for Tariffs	Finance Services
By-law for Debt Collection	
By-law for SPLUMA	Planning and Development

**COMMENT ON BY-LAWS:**

Council adopted the following By-Laws:

Water and Sanitation services draft By-law

Building Control draft By-law

Tariffs, Credit Control and Debt collection draft By-law

Cemeteries draft By-law

Environmental draft By-law

Spatial Planning and Land use Management draft By-law

Electricity draft By-law

Consultation were held in all 15 wards to consult communities about proposed the By-Laws for the Municipality, and to get inputs from Municipal residents about the proposed by-laws. All stakeholders; Mining Houses; Farmers and Traditional Councils were consulted.

Residents were also given an opportunity to ask questions, give comments and their inputs about other issues in the Municipality. The Municipality have By-Laws approved by Council but does not have the enforcement capacity i.e traffic.

## WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Y	
All current budget-related policies	Y	
The previous annual report (Year -1)	Y	
The annual report (Year 0) published/to be published	N	1-Jan-17
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Y	
All service delivery agreements (Year 0)	Y	
All long-term borrowing contracts (Year 0)	Y	
All supply chain management contracts above a prescribed value (give value) for Year 0	Y	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	N	30-Sep-17
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section		
Public-private partnership agreements referred to in section 120 made in Year 0	N	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	Y	
<i>Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i>		T 2.10.1

## PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The Municipal System Act states that the Municipality must have a five (5) year vision for the long-term development of the Municipality and development priorities, which must be aligned with national and provincial sectoral plans and priorities. The IDP and Service Delivery Budget Implementation Plan (SDBIP) are reviewed and adopted annually by council. Municipal Performance is measured through the SDBIP.

Annually the Municipality must base their performance against performance measure as clearly outlined in the SDBIP. The SDBIP includes the annual delivery agenda of the Municipality as it is spelt out in the IDP document.

The IDP Representative Forum has been functional with sector government departments participating, government entities (eg Eskom) and mines within our municipal jurisdiction. They have been reporting on the progress on the programme and projects that they are implementing in our municipal area.

The Municipality conducted customer satisfaction survey during 2015/16 Financial Year and the survey will be undertaken again in 2018/19 Financial Year.

### **CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)**

We are obliged as a municipality to provide quality services to the communities within our municipal jurisdiction. As local municipality we are committed to making the lives of our citizenry better. We have been able to provide services to the people as per our mandate. Our indigents have been receiving their free basic water and electricity without any hindrance. The collection of refuse in Hotazel and Vanzylsrus has been improved and we are collecting waste twice on a weekly basis.

Improvement in our tracing of debtors has impacted positively on our ability to collect revenue and it has increasing our collection rate. Establishment of youth forums has assisted the municipality to interact with young people, both out of school, unemployed, employed and those in business as it is a structure that deals with challenges facing young people in our locality. Functionality of ward committees has assisted the municipality to foster a close relationship with the community and community organizations and in identifying service delivery challenges and attending to them speedily.

#### **Achievements**

- Spend 100% of the MIG budget
- Submitted AFS, Annual Performance Report, Annual Report and section 72 Report on time
- IDP consultation was done
- IDP and budget adopted on time
- Performance agreement for senior managers signed on time
- We have established 15 ward committees of the 15 wards and they are functional

## Challenges

- Municipal inability to complete infrastructure project on time

## COMPONENT A: BASIC SERVICES

### INTRODUCTION TO BASIC SERVICES

The Project Management Unit in Joe Morolong Local Municipality is well established to meet the pressing needs of basic service provisioning. The PMU harmonises and integrates the efforts of all the various Departments, not only within the Municipality but sector Departments, in order to achieve set standards and SDBIP objectives. Community- and Technical Services, Finances and Legal are all important participants in the implementation of Water, Sanitation, Housing and Roads infrastructure projects.

The relationship between O&M and the PMU was drastically improved in order to address the needs of the community more effectively and efficiently.

Please note that service like sanitation, roads and storm water are all combined within the Project Management Unit.

This section includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

## **WATER PROVISION**

### **INTRODUCTION TO WATER PROVISION**

Water provisioning in the Joe Morolong area is mainly by means of abstraction from boreholes. However, Hotazel, one of our two towns, receive water from the Vaal-Gamagara Water Pipeline.

Water infrastructure demands are documented and prioritised in our IDP. After adoption of the IDP by Council and confirmation of the budget allocation as per DORA, the SDBIP is finalised. The PMU act on this by using the SDBIP as the basis (input) to the Three year Implementation Plan.

During the 2015-16 Financial Year thirteen Water Infrastructure projects were embarked on, of which twelve were successfully completed. Refurbishment of boreholes, associate equipment and pump houses also took place in fifteen villages. Practical completion of the self-built Eskom Line for the Heuningvlei Bulk Water supply scheme was also facilitated in the reporting period.

A well-established Water Unit within the municipality responded timeously to all the reported water related queries. This section also managed to repair 96% of the faults during the reporting period.

Joe Morolong Local Municipality is the (WSA) Water Services Authority which means that it must regulate water issues within its jurisdiction guided by the National Water Act 32 of 1998, the institution also serves as a (WSP) Water Services Provider; meaning that it is of the institutions best interest in ensuring that water is provided to residents on acceptable standards including quality guided by SANS 241.

JMLM as the WSA is experiencing challenges on certain identified water systems and sources, because our predominant water source is ground water there would be a number of contributing factors affecting our quality of water (Agricultural activities and environmental issues). JMLM water quality programme is implemented on a smaller scale due to budgetary constraints, full SANS water quality monitoring is implemented on identified systems to improve the accuracy of quality of water supplied to communities.

Blue Drop compliance is still a challenge but improving because there are systems in place that will assist the institution to comply with the requirements. Below is our blue drop compliance history and targets as per the IDP.

(2012 – 0%)

(2013 – 35%) preliminary

(2014 – 50%) Projected

(2015 – 65%) Target

## **WATER QUALITY**

Joe Morolong Local Municipality is the (WSA) Water Services Authority which means that it must regulate water issues within its jurisdiction guided by the National Water Act 32 of 1998, the institution also serves as a (WSP) Water Services Provider; meaning that it is of the institutions best interest in ensuring that water is provided to residents on acceptable standards including quality guided by SANS 241.

## **WATER QUALITY QUARTERLY REPORT**

Water sampling: 1<sup>st</sup> quarter

<b>Month</b>	<b>Sample s taken</b>	<b>Samples tested</b>	<b>Sample s failed</b>	<b>Remedial Actions taken for failed samples</b>	<b>Type of failure</b>
JULY	24	24	8	Chlorination & issue notices to community Resampling to confirm failure	Chemical and bacteriological
AUGUST	34	34	6	Chlorination & issue notices to community Resampling to confirm failure	Chemical and bacteriological
SEPTEMBER	26	26	6	Chlorination & issue notices to community Resampling to confirm failure	Bacteriological
<b>TOTAL</b>	84	84	20		

### Water sampling: 2<sup>nd</sup> quarter

Month	Samples taken	Samples tested	Samples failed	Remedial Actions taken for failed samples	Type of failure
OCTOBER	23	23	6	Chlorination & issue notices to community Resampling to confirm failure	Bacteriological
NOVEMBER	29	29	10	Chlorination & issue notices to community Resampling to confirm failure	Bacteriological
DECEMBER	25	25	6	Chlorination & issue notices to community Resampling to confirm failure	Bacteriological
<b>TOTAL</b>	<b>77</b>	<b>77</b>	<b>22</b>		

### Water sampling: 3<sup>rd</sup> quarter

Month	Samples taken	Samples tested	Samples failed	Remedial Actions taken for failed samples	Type of failure
JANUARY	20	20	5	Chlorination & issue notices to community	Bacteriological and Chemical



FEBRUARY	20	20	4	Chlorination & issue notices to community	Bacteriological and Chemical
MARCH	20	20	3	Chlorination & issue notices to community	Bacteriological
TOTAL	60	60	12		

Water sampling 4<sup>th</sup> quarter

Month	Samples taken	Samples tested	Samples failed	Remedial Actions taken for failed samples	Type of failure
APRIL	20	20	2	Chlorination & issue notices to community	Bacteriological
MAY	20	20	2	Chlorination & issue notices to community	Bacteriological
JUNE	20	20	2	Chlorination & issue notices to community	Bacteriological

	60	60	6		
<b>TOTAL</b>					

### Progress on the jobs attended in the year under review

Joe Morolong Local Municipality is the (WSA) Water Services Authority which means that it must regulate water issues within its jurisdiction guided by the National Water Act 32 of 1998, the institution also serves as a (WSP) Water Services Provider; meaning that it is of the institutions best interest in ensuring that water is provided to residents on acceptable standards.

### Jobs attended- 1<sup>st</sup> quarter

Month	No of job reports	No attended to	Outstanding	Reason for variance
Jul-15	359	341	18	Equipment, material and tools shortage
Aug-15	394	382	12	Equipment, material and tools shortage
Sep-15	401	393	8	Equipment, material and tools shortage and community strikes
<b>TOTAL</b>	<b>1154</b>	<b>1116</b>	<b>38</b>	

### Jobs attended- 2<sup>nd</sup> quarter

Month	No of job reports	No attended to	Outstanding	Reason for variance
Oct-15	314	293	21	Equipment, material and tools shortage
Nov-15	383	364	19	Equipment, material and tools shortage
Dec-15	468	442	26	Equipment, material and tools shortage
<b>TOTAL</b>	1165	1099	66	

### Jobs attended 3<sup>rd</sup> quarter

Month	No of job reports	No attended to	Outstanding	Reason for variance
Jan-16	612	601	11	Equipment, material and tools shortage
Feb-16	523	510	13	Equipment, material and tools shortage
Mar-16 (Projected)	317	311	6	Equipment, material and tools shortage
<b>TOTAL</b>	1452	1422	30	

## **JOBS ATTENDED 4<sup>TH</sup> QUARTER**

<b>Month</b>	<b>No of job reports</b>	<b>No attended to</b>	<b>Outstanding</b>	<b>Reason for variance</b>
Apr-16	291	283	8	Equipment, material and tools shortage
May-16	311	295	16	Equipment, material and tools shortage
Jun-16	288	276	12	Equipment, material and tools shortage
<b>TOTAL</b>	890	854	36	

## **CHALLENGES**

The municipality is receiving an average of 310 queries monthly which are related to operation and maintenance of infrastructure which almost 90% are attended to successfully. The remaining 10% is then rolled over to the following month due to resource shortage (fleet and material)

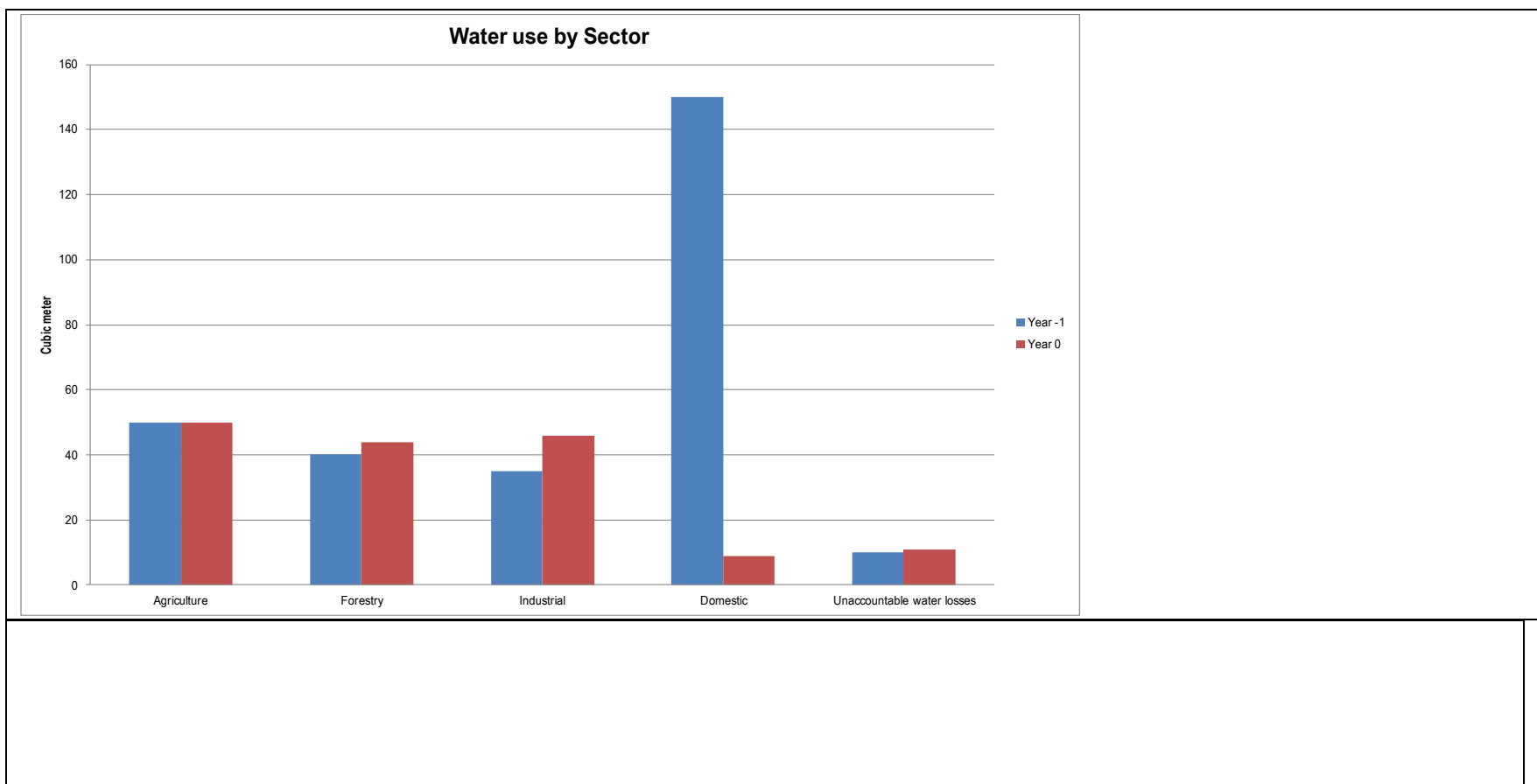
### **Aging Infrastructure**

20 of our villages have aging water infrastructure. This needs to be addressed as it will cause water shortage problems.

Following are these villages:

Bojelapotsane, Bothithong, Colston, Deurham, Deurward, Dikhing, Dinokaneng, Gamokatedi, Gamothibi, Ganap, Gasehunelo wyk 7, Kgebetlwane, Kokfontein, Laxey, Loopeng, Magaladi, Manyeding, Masilabetsane, Samsokol and Segwaneng

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
Year -1	50	40	35	150	10
Year 0	50	44	46	9	11
T 3.1.2					



**COMMENT ON WATER USE BY SECTOR:**

Water in Joe Morolong is supplied by means of a Sedibeng Water pipeline to Hotazel. As for the rest of the 186 villages, potable water is supplied through groundwater schemes. In the Heuningvlei area, consisting of about 7 villages, water is provided by means of a newly built bulk water infrastructure scheme. Other bulk water schemes are currently investigated by the municipality but the vast distances between the various villages poses cost constraints on this method.

Water Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 2	
		Target	Actual	Target	Actual		Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Provision of Water	Implement Water Supply/Up grade Projects in various Villages in the Joe Morolong area	Van Zylsrus - Phase 1	Van Zylsrus - Phase 1	Kikahela 1&2	Bendell - Phase 2	Ga-Rapoane	Deurham	Moseohatshe	Mahukubung
		Klein Neira - Phase 1	Klein Neira - Phase 1	Bendell - Phase 2	Heuningvlei Bulk Water Scheme: Phase 2(a)	Gatswinyane	Diwatshane	Segwaneng	Metsimantsi Wyk 3
		Heuningvlei Bulk Water Scheme: Phase 1	Heuningvlei Bulk Water Scheme: Phase 1	Heuningvlei Bulk Water Scheme: Phase 2(a)	Heuningvlei Bulk Water Scheme: Phase 2(b)	Kikahela 1&2	Dithakong	Setshwatshwaneng	Metsimantsi Wyk 4
		Mokala wa Noga	Mokala wa Noga	Heuningvlei Bulk Water Scheme: Phase 2(b)	Eiffel/Klein Eiffel - Phase 2	Heuningvlei Bulk Water Scheme: Phase 2(a)	Cassel	Kome	Metsimantsi Wyk 5
		Madibeng Bulk	Madibeng Bulk	Eiffel/Klein Eiffel - Phase 2	Gadiboe	DWA Refurbishment Programme (2014/15)	Wateraar	Makhubung	Metsimantsi Wyk 6

		Kortnight - Phase 2	Kortnight - Phase 2	Gadiboe	DWA Refurbishment Programme (2014/15)	Klein Neira Phase - 2	Adderly	Tsiloane	Metsimantsi Wyk 7
		Niks	Niks	DWA Refurbishment Programme (2014/15)	Kiangkop	Motlhoeng	Makgaladi	Perth	Laxey
		Kokonye	Kokonye	Kiangkop	Klein Neira Phase - 2	Kiangkop		Gakoe/Gara motsokwana	Logobate
		Drieloop	Drieloop	Klein Neira Phase - 2	Masankong	Klein Neira Phase - 3		Laxey	Lotlakajaneng
		Kganung	Kganung	Masankong	Danoon	Masankong		Ga-Sehunelo Wyk 4	Magwagwe
		Ditlharapaneng	Ditlharapaneng	Danoon	Khankhudung	Danoon		Bush Buck	Sesipi
		Maipeng - Phase 2	Maipeng - Phase 2	Khankhudung	March	Khankhudung		Camden	
		Bendell - Phase 1	Bendell - Phase 1	March	Maphiniki Phase 2	April		Bojelapotsane	
		Eiffel/Klein Eiffel - Phase 1	Eiffel / Klein Eiffel - Phase 1	Mosekeng	Kanana	Maphiniki Phase 3		Churchill	
		DWA Refurbishment Programme (2013/14)	DWA Refurbishment Programme (2013/14)	Magobing-East	Radiatsongwa	Kanana		Deurward	
		Kikahela 1&2		Maphiniki Phase - 2	Motlhoeng	Radiatsongwa		Metsimantsi Wyk 1	
		Bendell - Phase 2		Kanana	Tsineng Water	Tsineng Water			
		Heuningvlei Bulk Water Scheme: Phase 2(a)		Radiatsongwa	Ga-Rapoane	Bendell Phase 2			

		Heuningvlei Bulk Water Scheme: Phase 2(b)		Tsineng Water	Gatswinyane	Heuningvlei Bulk Water Scheme: Phase 2(b)			
		Eiffel/Klein Eiffel - Phase 2		Wateraar					
		Gadiboe		Adderly					
		DWA Refurbishment Programme (2014/15)		Makgaladi					
		Kiangkop		Moseohatshe					
		Klein Neira Phase - 2		Segwaneng					
		Masankong		Setshwatshwaneng					
		Danoon		Kome					
		Khankhudung		Makhubung					
		March		Tsiloane					
		Mosekeng		Perth					
		Magobing-East		Deurham					
		Maphiniki Phase - 2		Diwatshane					
		Kanana		Dithakong					
		Radiatsonga		Cassel					
		Tsineng Water		Gakhoe/Garamotsokwana					
		Wateraar		Laxey					
		Adderly		Ga-Sehunelo Wyk 4					
		Makgaladi		Bush Buck					
		Moseohatshe		Camden					
		Segwaneng		Bojelapotsane					
		Setshwatshwane		Churchill					



	ng							
	Kome		Deurward					
	Makhubung		Metsimantsi Wyk 1					
	Tsiloane		Mahukubung					
	Perth		Metsimantsi Wyk 3					
	Deurham		Metsimantsi Wyk 4					
	Diwatshane		Metsimantsi Wyk 5					
	Dithakong		Metsimantsi Wyk 6					
	Cassel		Metsimantsi Wyk 7					
	Gakoe/ Garamotsokwana		Laxey					
	Laxey		Logobate					
	Ga-Sehunelo Wyk 4		Lothlakajaneng					
	Bush Buck		Magwagwe					
	Camden		Sesipi					
	Bojelapotsane		Ga-Rapoane					
	Churchill		Gatswinyane					
	Deurward		Motlhoeng					
	Motlhoeng							
	Metsimantsi Wyk 1							
	Mahukubung							
	Metsimantsi Wyk 3							
	Metsimantsi Wyk 4							
	Metsimantsi Wyk 5							

		Metsimantsi Wyk 6							
		Metsimantsi Wyk 7							
		Laxey							
		Logobate							
		Lotlhakajaneng							
		Magwagwe							
		Sesipi							
		Ga-Rapoane							
		Gatswinyane							

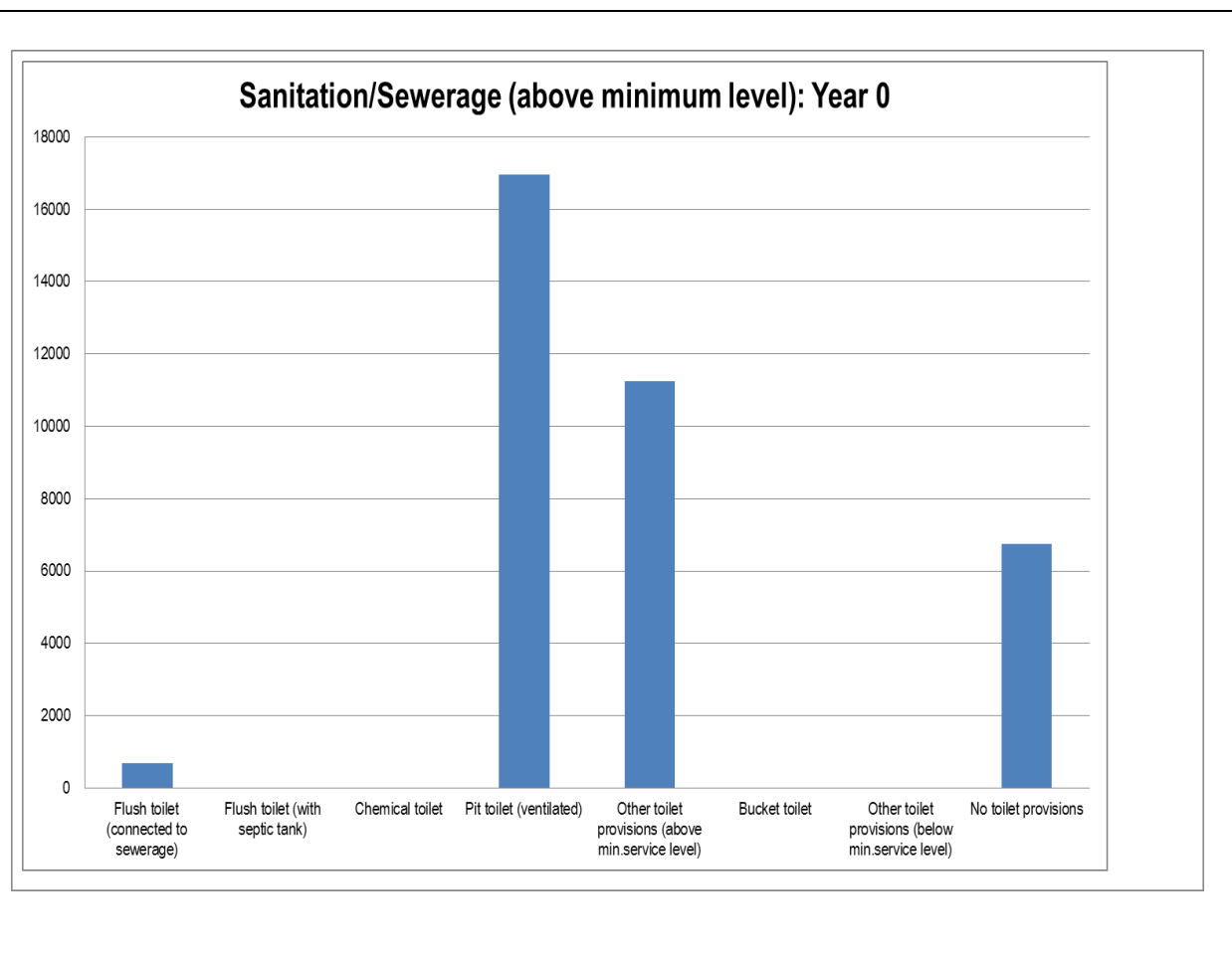
## WASTE WATER (SANITATION) PROVISION (TECHNICAL SERVICES)

### INTRODUCTION TO SANITATION PROVISION

Sanitation provisioning in the Joe Morolong area is mainly by means of VIP or UDS Dry Pit latrines, depending on the water protocol in the particular area. However, our two towns, Hotazel and Vanzylsrus, are connected to waterborne sanitation systems. Sanitation infrastructure demands are documented and prioritised in our IDP.

After adoption of the IDP by Council and confirmation of the MIG budget allocation as per DORA, the SDBIP is finalised. The PMU act on this by using the SDBIP as the basis (input) to the three year Implementation Plan.

During the 2015-16 Financial Year more than a thousand new sanitation units were erected in various villages.



Sanitation Service Delivery Levels				
Description	*Households			
	Year -3	Year -2	Year -1	Year 0
	Outcome No.	Outcome No.	Outcome No.	Actual No.
<b><u>Sanitation/sewerage: (above minimum level)</u></b>				
Flush toilet (connected to sewerage)	695	695	695	695
Flush toilet (with septic tank)	0	0	0	0
Chemical toilet	0	0	0	0
Pit toilet (ventilated)		16254	15784	16964
Other toilet provisions (above min.service level)				
<i>Minimum Service Level and Above sub-total</i>	1	17	16	18
<i>Minimum Service Level and Above Percentage</i>	100.0%	100.0%	67.8%	72.4%
<b><u>Sanitation/sewerage: (below minimum level)</u></b>				
Bucket toilet	0	0	0	0
Other toilet provisions (below min.service level)	0	0	0	0
No toilet provisions			7817	6743
<i>Below Minimum Service Level sub-total</i>	–	–	8	7
<i>Below Minimum Service Level Percentage</i>	0.0%	0.0%	32.2%	27.6%
<b>Total households</b>	<b>1</b>	<b>17</b>	<b>24</b>	<b>24</b>
<b>*Total number of households including informal settlements</b>				<b>T 3.2.3</b>

Households - Sanitation Service Delivery Levels below the minimum						
Description	Households					
	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
<b>Formal Settlements</b>						
Total households	23707	23707	23707	23707	23707	23707
Households below minimum service	12324	8294	7867	6743	6743	6743
Proportion of households below minimum service level	52%	35%	33%	28%	28%	28%
<b>Informal Settlements</b>						
Total households	–	–	–	–	–	–
Households ts below minimum	N/A	N/A	N/A	N/A	N/A	N/A
Proportion of households ts below minimum service level						
						<b>T 3.2.4</b>

Sanitation Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 2	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Provide Sanitation Infrastructure	Erect Dry Sanitation units in Various Villages	Madibeng	Madibeng	Ellendale	Ellendale	Ellendale	Mosekeng	Vanzylsruks	Dithakong
		Glen Red	Glen Red	Tzaneen	Tzaneen	Tzaneen	Bendell		
		Ncwelengwe	Ncwelengwe	Penryn	Penryn	Penryn	Tsineng	Kokfontein	
		Metswetsaneng	Metswetsaneng	Heuningvlei	Heuningvlei	Heuningvlei	Maipeng	Wesselsvlei	
		Gatswinyane	Gatswinyane	Gamadubu	Gamadubu	Gamadubu	Rustfontein Wyk 9	Vanzylsruks	
		Camden	Camden	Takeng	Takeng	Takeng	Radiatson gwa	Kokfontein	
		Heuningvlei	Heuningvlei	Esparensa	Esparensa	Esparensa	GA-SEHUNEL O Wyk 4		
		Ellendale		Baileybrits	Baileybrits	Baileybrits	Pompong		
		Tzaneen		Bosra	Bosra	Bosra	GA-SEHUNEL O Wyk 7		
		Penryn		Gasese	Gasese	Gasese	Damros		
		Heuningvlei		Mmatoro	Mmatoro	Mmatoro			

		Gamadubu		Mosekeng	Moseken g	Moseken g			
		Takeng		Bendell					
		Esparenza		Tsineng					
		Baileybrits		Maipeng					
		Bosra		Rustfontei n Wyk 9					
		Gasese		Radiatson gwa					
		Mmatoro		Gasehune lo Wyk 4					
		Mosekeng		Pompong					
		Bendell		Gasehune lo Wyk 7					
		Tsineng		Wesselsvl ei					
		Maipeng		Damros					
		Rustfontein Wyk 9		Vanzylsru s					
		Radiatsongwa		Kokfontei n					
		Gasehunelo Wyk 4		Dithakong					
		Pompong							
		Gasehunelo Wyk 7							
		Wesselsvlei							
		Damros							
		Vanzylsrus							
		Kokfontein							
		Dithakong							T 3.1.6

**COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:**

A total of **1124** new dry sanitation units were erected during the reporting period. The PMU is currently fully committed on the MTEF and is therefore still on track in terms of eradication of sanitation backlogs.

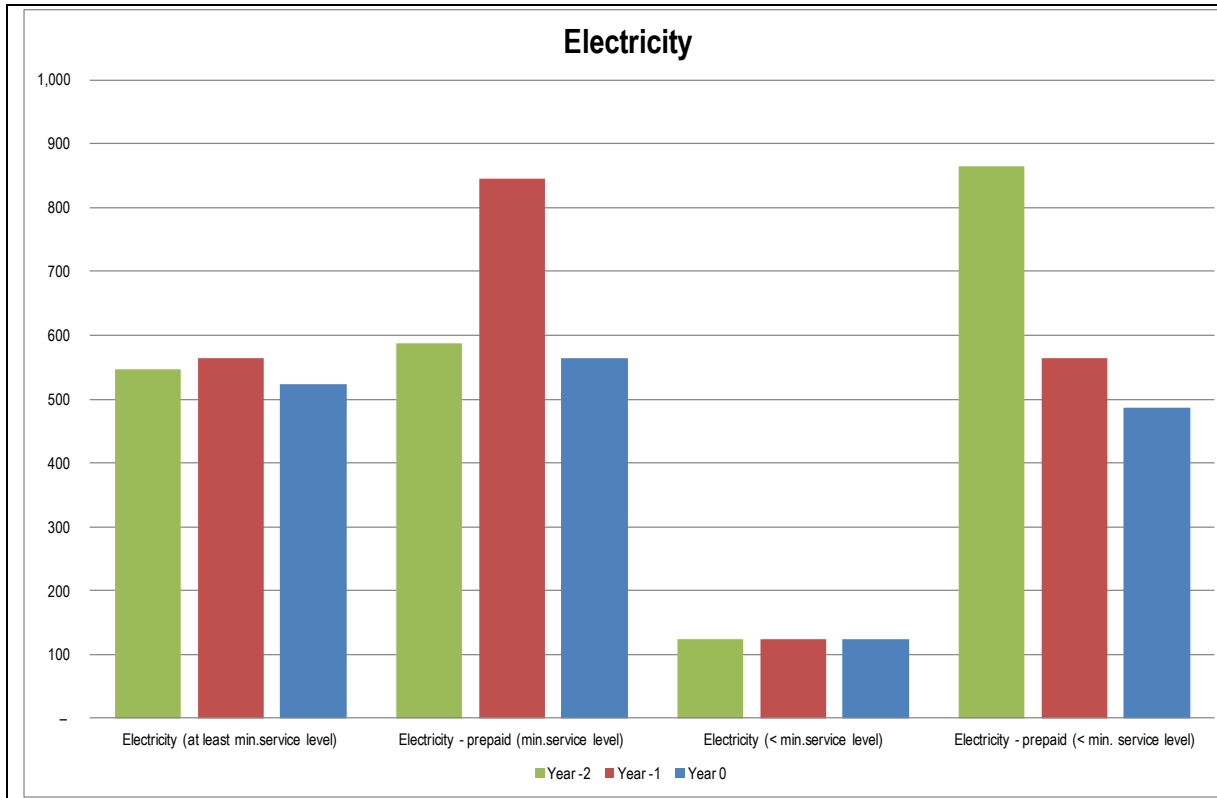
Contractors are appointed to construct an estimated 1400 dry sanitation units in the 2015-16 Financial Year. The water protocol of a specific village is used to determine the type of unit to be installed.

---

**3.3 ELECTRICITY (TECHNICAL SERVICES)****INTRODUCTION TO ELECTRICITY**

Note: Recent legislation includes the Electricity Amendment Acts 1989; 1994; 1995; and the Electricity Regulation Act 2006.

Joe Morolong Local Municipality is not an implementing agent for electrification projects, the institution acts as a project coordinator for project implemented by ESKOM and DOE. For the year 2014/15 JMLM had a total backlog of 4325 and we managed to eradicate 430 on the particular year. JMLM has approval of 1824 connections to be done in 2015/16 through ESKOM of which through the successful implementation of this Program it would reduce our backlog to 2071.



T 3.3.2



Electricity Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Households Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<b><u>Energy:</u></b> (above minimum level)				
Electricity (at least min.service level)	17936	18506	18772	19383
Electricity - prepaid (min.service level)	0	0	0	0
<i>Minimum Service Level and Above sub-total</i>	17936	18506	18772	19383
<i>Minimum Service Level and Above Percentage</i>	75.7%	78.1%	79.2%	81.8%
<b><u>Energy:</u></b> (below minimum level)				
Electricity (< min.service level)	5771	5201	4935	4325
Electricity - prepaid (< min. service level)				
Other energy sources				
<i>Below Minimum Service Level sub-total</i>	6	5	5	4
<i>Below Minimum Service Level Percentage</i>	24.3%	21.9%	20.8%	18.2%
<b>Total number of households</b>	23707	23707	23707	23707
				7 3.3.3

Households - Electricity Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original	Adjusted	Actual
	No.	No.	No.	Budget No.	Budget No.	No.
<b>Formal Settlements</b>						
Total households	23707	23707	23707	23707	23707	23707
Households below minimum service	5771	5201	4935	4325	4325	4325
Proportion of households below minimum service level	24%	22%	21%	18%	18%	18%
<b>Informal Settlements</b>						
		N/A				
						13.3.4

Employees: Electricity Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6					
7 - 9					
10 - 12	1	1	1	3	300%
13 - 15					
16 - 18					
19 - 20					
Total					

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.  
 \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Electricity Service Delivery Levels				
Description	Households			
	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<b>Energy: (above minimum level)</b>				
Electricity (at least min.service level)	17936	18506	18772	19383
Electricity - prepaid (min.service level)	0	0	0	0
Minimum Service Level and Above sub-total	17936	18506	18772	19383
Minimum Service Level and Above Percentage	75.7%	78.1%	79.2%	81.8%
<b>Energy: (below minimum level)</b>				
Electricity (< min.service level)	5771	5201	4935	4325
Electricity - prepaid (< min. service level)				
Other energy sources				
Below Minimum Service Level sub-total	6	5	5	4
Below Minimum Service Level Percentage	24.3%	21.9%	20.8%	18.2%
<b>Total number of households</b>	23707	23707	23707	23707
				7 3.3.3

Capital Expenditure Year 0: Property; Legal; Risk Management and Procurement Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	4481049	8090178	13764208	67%	
Heuningvlei & Gammokwane	1215492	2327513	4630151	74%	
Perth	1311291	798570	1311291	0%	
Sesipi	108679	108680	108680	0%	
Makhubung	394246	571919	1393473	72%	
Madibeng	695336	754732	695336	0%	
Magojaneng	489731	663097	941154	48%	
Churchill & Esperenza	85983	2172251	2172251	96%	
Tzanenen	41535	448934	415316	90%	
Gamasepa	138756	244482	2096557	93%	
Total project value represents the estimated cost of the project on approval by Eskom and Council (including past and future expenditure as appropriate).					
T 3.3.8					

### **COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:**

On Capital expenditure, our main objective is to engage Eskom and the Department of Energy to increase the electrification budget in order to expedite the eradication of backlogs.  
On the Operational aspects, Joe Morolong Local Municipality will budget for highmast lights and Eskom connections. The electrification of diesel driven boreholes will also receive attention. There is also a need for more electrical Operations & Maintenance.

### **WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL)**

#### **INTRODUCTION TO WASTE MANAGEMENT**

In JMLM refuse is collected in two areas; namely: Hotazel and Vanzylsrus. The service is rendered for 1144 households in the two above mentioned areas. The municipality do collect refuse twice a week for households and businesses as per developed and adopted collection schedule. Both the landfill sites that are used for waste disposal are not licensed for JMLM, the one in Vanzylsrus is licensed on JTGDM and the one on South 32 mine.

The municipality is in a process of establishing two new landfill sites at Hotazel and Glenred, the reason for two landfills is due to the vastness of the area and lack of infrastructure.

# Solid Waste Service Delivery Levels

Households

Description	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<b><u>Solid Waste Removal: (Below minimum level)</u></b>				
Removed less frequently than once a week	-	-	-	-
Using communal refuse dump	0	0	0	
Using own refuse dump	19 146	19146	19146	19146
Other rubbish disposal	502	952	938	720
No rubbish disposal	2707	2707	2707	2 707
<i>Below Minimum Service Level sub-total</i>	23 434	23434	23434	23434
<i>Below Minimum Service Level percentage</i>	49,1%	52,9%	48,5%	55,2%
<b>Total number of households</b>	<b>23 434</b>	<b>699</b>	<b>5 523</b>	<b>4 991</b>

T 3.4.2

Waste Management Service Policy Objectives Taken From IDP							
Service Objectives   Service Indicators (i)	Outline Service Targets (ii)	Year -1		Year 0			
		Target	Actual	Target			Actual
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	

**Service Objective xxx**

Promote safe and clean environment	1 refuse removal schedule by June 2016	1 refuse removal schedule was developed by June 2015	1 refuse removal schedule was developed by June 2015	1 refuse removal schedule was developed by June 2015	1 refuse removal schedule by June 2016	1 refuse removal schedule was developed by June 2016	1 refuse removal
------------------------------------	--	--	--	--	--	--	------------------

*Note: This statement should include no more than the top four priority service objectives.*

*The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round;*

*\*'Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.*

Employees: Solid Waste Management Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%

7 - 9	0	0	0	0	0%
10 - 12	1	1	0	0	100%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	1	1	0	0	100%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.*

*\*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

*T3.4.5*

Employees: Waste Disposal and Other Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	6	6	6	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	2	2	2	4	100%



*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.  
 \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*  
 T3.4.6

### 3.5 HOUSING

Service objective  (i)	Outline service target  (ii)	Year 0		Year 1			Year 2	Year3	
		Target	Actual	target		Actual	Target		
		Previous year (iii)	(iv)	Previous year (v)	Current year (vi)	(vii)	(viii)	Current year (ix)	Following year (x)
Service objective									
Provision for housing for Low Cost households	4 quarterly reports on 100 low cost houses constructed by June 2016	200 houses build by June 2015	31 Low Cost Houses were completed by June 2015	4 quarterly reports on 100 low cost houses constructed by June 2016	4 quarterly reports on 100 low cost houses constructed by June 2017	4 quarterly reports on 100 low cost houses constructed by June 2017	4 quarterly reports on 100 low cost houses constructed by June 2018	4 quarterly reports on 100 low cost houses constructed by June 2019	4 quarterly reports on 100 low cost houses constructed by June 2020

Note: this statement should include no more than the top four priority service objectives. The indicators and targets specified the above (columns(i) and (ii) must be incorporated in the indicator set for each municipality to which they apply. These are universal municipal indicators' \* 'previous year' refers to the targets that were set in the year -1 budget/IDP round,\*'current Year'

refers to the target set in the year 0 budget/IDP round \*following year refers the to the targets set in the year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision MSA 2000 chapter 5 sets out the purpose and character of integrated Development Plan (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play key role

T 3.5.3

Employees: Housing Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0-3	0	0	0	0	0
4-6	0	0	0	0	0
7-9	0	0	0	0	0
10-12	2	2	2	0	0
13-15	0	0	0	0	0
16-18	0	0	0	0	0
19-20	0	0	0	0	0
Total	2	2	2	0	0
<p><i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i></p> <p>T 3.5.4</p>					

## FREE BASIC SERVICES AND INDIGENT SUPPORT

Free Basic Services To Low Income Households										
	Total	Number of households								
		Households earning less than R1,100 per month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	Access	%	Access	%	Access	%	Access	%
Year -2	100,000	18,000	12,000	67%	10,000	56%	13,000	72%	7,000	39%
Year -1	103,000	18,500	13,000	70%	11,000	59%	14,500	78%	8,000	43%
Year 0	105,000	19,000	15,000	79%	12,000	63%	16,100	85%	9,000	47%
T 3.6.3										

Financial Performance Year 0: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year -1	Year 0			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	200	244	250	248	2%
Waste Water (Sanitation)	220	240	250	245	2%
Electricity	100	120	130	135	11%
Waste Management (Solid Waste)	105	110	120	125	12%
Total	625	714	750	753	5%
T 3.6.4					

## ROADS

### INTRODUCTION TO ROADS

Joe Morolong Local Municipality is a rural municipality in nature with an area of 20 172 km<sup>2</sup>, as it would be expected our road infrastructure is of the undesirable nature whereby an estimated 95% of our roads are gravel roads with a combination of access and internal roads. Two graders are used to to the grading of the gravel roads in 15 wards.

Demands for the upgrading of Roads and Storm water infrastructure are documented and prioritised in our IDP. After adoption of the IDP by Council and confirmation of the budget allocation as per DORA, the SDBIP is finalised. The PMU act on this by using the SDBIP as the basis (input) to the Three year Implementation Plan.

During the 2015-16 Financial Year, construction of 3.5 kilometres of internal and access tar road projects were embarked on. Another 5 kilometers were embarked on. But will be completed in the 2016-17 Financial Year.

The nature of these projects were to upgrade gravel roads to tar. The upgrading of 3 bridges in the area was also implemented.

Summary of operation and maintenance report for roads.

Total planned wards to be graded = 15

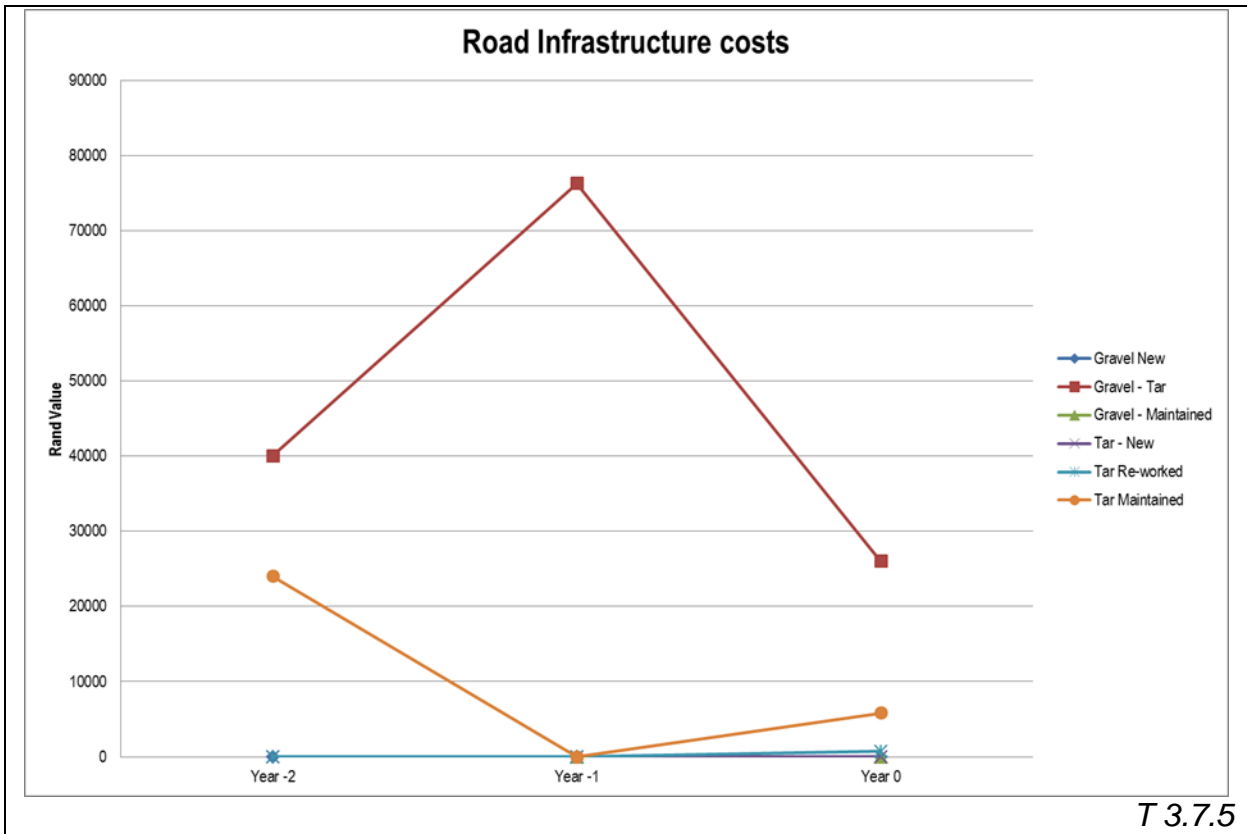
Total wards graded = 15

Gravel Road Infrastructure				Kilometers
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
Year -2	456	0	4	0
Year -1	442	0	14	0
Year 0	433	0	9	150
				<i>T 3.7.2</i>

Tarred Road Infrastructure					
					Kilometers
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
Year -2	43	4	0	0	0
Year -1	47	14	0	2	2
Year 0	56	8.5	0	0	0
					<i>T 3.7.3</i>

Cost of Construction/Maintenance						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
Year -2	0	40050		0	0	24000
Year -1	0	76286	0	0	0	0
Year 0	0	26000	0	0	700	5800
						<i>T 3.7.4</i>

R' 000						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
Year -2	0	76 286	0	0	0	0
Year -1	0	26 000	0	0	700	5 800
Year 0	0	1 250		0	0	



Road Service Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3		
		Target	Actual	Target		Actual		Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)	
(i)	(ii)									
Service Objective xxx										
Elimination of gravel roads in townships	Kilometers of gravel roads tarred (Kilometers of gravel road remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	Baseline (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	xxx kms gravel roads tarred (xxx kms gravel roads remaining)	
Development of municipal roads as required	xxx kms of municipal roads developed	xxx kms	xxx kms	xxx kms	xxx kms	xxx kms	xxx kms	xxx kms	xxx kms	
Provide Roads	km access road upgraded	6.5	14 (442)	14	4.5	8.5 (433)	9	12	11	
	km internal road upgraded	9.1	8	8	0	0	0	4	4	
	km of internal roads maintained in all 15 wards	150	0	0	150	150	2000	2000	2000	
	practical completion certificates on bridges upgraded	4	3	3	3	3	0	2	2	
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; * 'Current Year' refers to the targets set in the Year 0 Budget/IDP round. * 'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.										

T 3.7.6

Capital Expenditure Year 0: Road Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	29137	29137	25679	-13%	
Gravel to Tar in Ganghaai Village	11 400	11 400	11 397	0%	11 500
Gravel to Tar in Makhubung Village	4000	4000	2 533	-58%	3 000
Gravel to Tar in Churchill Village	3000	3000	1 185	-153%	1 200
Construction of Culvert Bridge in Dithakong Village	4 000	4 000	4 210	5%	4 500
Construction of Culvert Bridge in Molapotasi Village	3183	3183	2 957	-8%	3 000
Construction of Culvert Bridge in Segwaneng Village	3 554	3 554	3 397	-5%	3 500
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T 3.7.9

Service objective  (i)	Outline service target  (ii)	Year 0		Year 1			Year 2	Year3	
		Target	Actual	target		Actual	Target		
		Previous year (iii)	(iv)	Previous year (v)	Current year (vi)	(vii)	(viii)	Current year (ix)	Following year (x)
Service objective									
Upgrading and Maintenance of access roads and internal roads and bridges	No of internal roads upgraded	9.1 km internal roads to be upgraded	2.0 km internal roads upgraded	2.0 km internal roads to be upgraded	N/A	N/A	4 internal roads to be upgraded	3 internal roads to be upgraded	3 internal roads to be upgraded
	No of access roads upgraded	6.5 km access roads to be upgraded	10.0 km access roads upgraded	10.0 km access roads to be upgraded	4.5 km access roads to be upgraded	3.5 km access roads upgraded	N/A	4.0 km access roads to be upgraded	5.5 km access roads to be upgraded
	Number of bridges upgraded	4 bridges to be upgraded	2 bridge upgraded	2 bridges to be upgraded	3 bridges to be upgraded	3 bridge upgraded	N/A	3 bridges to be upgraded	3 bridges to be upgraded
	Number of internal	150 km of	150 km of	150 km of	150 km of	150 km of	2000 km of internal	2000 km	2200 km



	roads maintained	internal roads to be maintained	internal roads maintained	internal roads to be maintained	internal roads to be maintained	internal roads maintained	roads to be maintained	of internal roads to be maintained	of internal roads to be maintained
--	---------------------	--	---------------------------------	--	--	---------------------------------	------------------------------	---	---

**COMMENT ON THE PERFORMANCE OF ROADS OVERALL:**

The municipality engaged in projects relating to upgrading of more than 3.5km of internal and access roads during the reporting period. Being a rural municipality, most of the road surfaces are good quality gravel. The municipality does not have a separate storm water section. This function is incorporated into the PMU structure.

When looking at the graph above, the drop in the expenditure in the 2014-15 financial year is contributed to the fact that two projects could not be completed due to national scarcity of good quality bitumen. The expenditure on roads constructed during the reporting period already escalated during the writing of this report as a result of projects completed.

Maintenance of internal and access roads (Gravel)

**1<sup>st</sup> Quarter grader report**

Planned wards	5
Actual wards maintained	0
Reason for variation	Grader breakdown

**2<sup>nd</sup> Quarter grader report**

Planned wards	4
Actual wards maintained	3
Reason for variation	Grader breakdown

**3<sup>rd</sup> Quarter grader report**

Planned wards	2
Actual wards maintained	3
Reason for variation	No breakdowns, grader service

**4<sup>th</sup> Quarter grader report**

Planned wards	12
Actual wards maintained	7
Reason for variation	Grader breakdowns

The municipality engaged in projects relating to upgrading of more than 15km of internal and access roads during the reporting period. Being a rural municipality, most of the road surfaces are a good quality gravel. The municipality does not have a separate storm water section. This function is incorporated into the PMU structure. When looking at the graph above, the drop in the expenditure in the 2014-15 Financial Year is mainly contributed to the fact that two projects could not be completed due to national scarcity of good quality bitumen. The expenditure on roads constructed during the reporting period already escalated during the writing of this report as a result of projects have been completed.

## **WASTE WATER (STORMWATER DRAINAGE)**

### **INTRODUCTION TO STORMWATER DRAINAGE**

Storm water drainage forms part of the overall PMU structure and will therefore not be discussed separately. However, please note that 3 Storm water bridges were constructed during the reporting period.

Proper storm water drainage is catered for by specific designs on all our road construction projects.

## COMPONENT C: PLANNING AND DEVELOPMENT

### PLANNING

The Municipal System Act states that the Municipality must have a five (5) year vision for the long-term development of the Municipality and development priorities, which must be aligned with national and provincial sectoral plans and priorities. The IDP and Service Delivery Budget Implementation Plan (SDBIP) are reviewed and adopted annually by council. Municipal Performance is measured through the SDBIP.

Annually the Municipality must base their performance against performance measure as clearly outlined in the SDBIP. The SDBIP includes the annual delivery agenda of the Municipality as it is spelt out in the IDP document. Priorities identified in the year under review were water, sanitation and roads. All of these priorities are implemented through MIG and the budget was spent 100%.

Applications for Land Use						
Development Details	Formalization of Townships		Rezoning		Built Environment	
	Year-1	year 0	year -1	year 0	year -1	year 0
Planning applications received	0	0	4	0	2	23
Determination made in year of receipt	0	0	0	3	1	14
Determination made in following year	0	0	0	0	0	7
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0		0	1	0

Planning Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year-1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		Previous Year (iii)	(iv)	Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	Current Year (ix)	Following Year (x)
Service Objectives xxx									
Determine Planning application within a reasonable timescale	Approval or rejection of all build environment application within a x weeks	Determinati on within x weeks	Determinati on within x weeks	None	Consider ed within 90 days	Consider ed within 90 days	Determinati on within 11 weeks	Determinati on within 8 weeks	Determinati on within 8 weeks
	Reductio n in planning decision overturne d	x planning decisions overturned	x planning decisions overturned	5% Planning decision overturne d	5% Planning decision overturne d	5% Planning decision overturne d	4% Planning decision overturned	No Planning decision overturned	No Planning decision overturned
Rezoning of Adams Farm no. 328-Phase 1	To Assess the applicatio n within 90 days	Approved		Approve d within 90 days	Approve d within 90 days	Approve d within 90 days			
Rezoning of Adams Farm no.	To Assess the	Approved		Approve d within 90 days	Approve d within 90 days	Approve d within 90 days			

328-Phase 2	applicatio n within 90 days								
Rezoning of Adams Farm no. 328-Phase 3	To Assess the applicatio n within 90 days	Approved		Approve d within 90 days	Approve d within 90 days	Approve d within 90 days			
Application for Erf 216 Land	To Assess the applicatio n within 90 days	Approved		Approve d within 90 days	Approve d within 90 days	Approve d within 90 days			
Rezoning of Farm Mamatwan No. 331	To Assess the applicatio n within 90 days	Approved		Approve d within 90 days	Approve d within 90 days	Approve d within 90 days			
Rezoning of Erf 353	To Assess the applicatio n within 90 days	Approved		Approve d within 90 days	Approve d within 90 days	Approve d within 90 days			
Subdivision of Skoolplaas Farm no 31, Vanzylrus	To Assess the applicatio n within	Approved		Approve d within 90 days	Approve d within 90 days	Approve d within 90 days			

	90 days								
Application for consent use on farm 321	To Assess the application within 90 days	Approved		Approved within 90 days	Approved within 90 days	Approved within 90 days			
Proposed early childhood development Washington village	To Assess the application within 90 days	On Hold							
Proposed early childhood development Center at Dithakong	To Assess the application within 90 days	Approved		Approved within 90 days	Approved within 90 days	Approved within 90 days			
Proposed Tarven at Laxey	To Assess the application within 90 days	Approved		Approved within 90 days	Approved within 90 days	Approved within 90 days			
Proposed abulution Block at Logobate	To Assess the application within 90 days	Approved		Approved within 90 days	Approved within 90 days	Approved within 90 days			
Proposed	To		On Hold						

Hostels at Hotazel	Assess the application within 90 days								
Proposed Refurbishment and Renovations at Glenred Village	To Assess the application within 90 days		Approved	Approved within 90 days	Approved within 90 days	Approved within 90 days			
Proposed Storeroom for Department of Agriculture	To Assess the application within 90 days		Approved	Approved within 90 days	Approved within 90 days	Approved within 90 days			
Proposed Building Plans for Adams for Farm O&M Facility	To Assess the application within 90 days		Approved	Approved within 90 days	Approved within 90 days	Approved within 90 days			



Employees: Planning Services					
Job Level	Year -1	Year 0			
	Employees No.	Posts No.	Employees No.	Vacancies (full time equivalents)	Vacancies (as % of total posts)
0 – 3	0051	1	0051	0	0
13 – 15		T15	03373	0	0
13 - 15	0271	T15	0271	0	0
10 - 13	0102	T10	0102	0	0

<p><b>COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:</b> Municipality is embarking in a three year programme on water, roads and sanitation. All these projects are implemented through MIG and MWIG</p>
--

## LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

### INTRODUCTION TO ECONOMIC DEVELOPMENT

Local Economic Development (LED) is one of the Key Performance Areas in JMLM. In JMLM the issue of LED is treated as an integral part and the Community Services department coordinates related issues within the municipality, sector departments and business sector within JMLM. The Economic Development strategy was developed in the F/Y 2012/14.

Economic Activity by Sector			
	R '000		
Sector	Year -2	Year -1	Year 0
Agric, forestry and fishing	2	1,5	1,5
Mining and quarrying	7	7	7
Manufacturing	58	63	63
Wholesale and retail trade	51	52	52
Finance, property, etc.	48	52	52
Govt, community and social services	25	25	25
Infrastructure services	38	41	41
Total	226,5	236,5	236,5

Economic Employment by Sector			
	Jobs		
Sector	Year 1 No.	Year -1 No.	Year 0 No.
Agric, forestry and fishing	25 000	30 000	30 000
Mining and quarrying	435 000	372 000	372 000
Manufacturing	300 000	270 000	270 000

Wholesale and retail trade	2000 000	210 000	210 000
Finance, property, etc.	255 000	235 000	235 000
Govt, community and social services	310 000	320 000	320 000
Infrastructure services	430 000	450 000	450 000
<b>Total</b>	<b>1955000</b>	<b>1887000</b>	<b>1887000</b>

<b>Jobs Created during Year 0 by LED Initiatives (Excluding EPWP projects)</b>				
<b>Total Jobs created / Top 3 initiatives</b>	<b>Jobs created  No.</b>	<b>Jobs lost/displaced by other initiatives  No.</b>	<b>Net total jobs created in year  No.</b>	<b>Method of validating jobs created/lost</b>
Total (all initiatives)				
Year -2				
Year -1				
Year 0				
Initiative A (Year 0)				
Initiative B (Year 0)				
Initiative C (Year 0)				

*N.B. All municipal projects are implemented through EPWP*

<b>Job creation through EPWP* projects</b>		
<b>Details</b>	<b>EPWP Projects  No.</b>	<b>Jobs created through EPWP projects  No.</b>
Year -2	50	2 900
Year -1	66	4 500
Year 0		
* - <i>Extended Public Works Programme</i>		

Local Economic Development Policy Objectives Taken From IDP										
Service objective	Outline service target		Year 0 2015/16		Year 1 2016/17			Year 2 2017/18	Year3 2018/2019	
			Target	Actual	target		Actual	Target		
(i)	(ii)		Previous year (iii) 2014/15	(iv) 2016/17	Previous year (v) 2015/16 Baseline 2015/16	Current year (vi) 2016/17	(vii) 2016/17	(viii)	Current year (ix)	Following year (x)
Service objective										
Promote economic development and tourism	2	quarterly reports on coordination of EPWP by June 2017	4 quarterly reports on 1000 jobs created through EPWP and municipal infrastructure projects by June 2016	4 quarterly reports on 1000 jobs created through EPWP and municipal infrastructure projects were submitted	4 quarterly reports on 1000 jobs created through EPWP and municipal infrastructure projects were submitted	4 quarterly reports on coordination of EPWP by June 2017	4 quarterly reports on coordination of EPWP were developed	4 quarterly reports on coordination of EPWP by June 2018	4 quarterly reports on coordination of EPWP by June 2019	4 quarterly reports on coordination of EPWP by June 2020
	3	4 reports on the development of sub-contractors by June 2017	4 reports on the development of sub-contractors by June 2015	4 reports on the development of sub-contractors were developed by June 2017	4 reports on the development of sub-contractors were developed by June 2016	4 reports on the development of sub-contractors by June 2017	4 reports on the development of sub-contractors were developed by June 2017	4 reports on the development of sub-contractors by June 2018	4 reports on the development of sub-contractors by June 2019	4 reports on the development of sub-contractors by June 2020

Employees: Local Economic Development Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6					0%
7 - 9	4	4	4		
10 - 12					
13 - 15				1	
16 - 18					
19 - 20					
Total	4	4	4	1	

#### COMPONENT D: COMMUNITY & SOCIAL SERVICES

**LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)**

#### **INTRODUCTION TO LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES**

JMLM entered into MOA with Department of Sport, Arts and Culture for the operation of community libraries situated at Vanzylsrus, Cassel and Logaganeng. DSAC is currently constructing two new community libraries at Logaganeng, Churchill and renovating the one in Cassel. The municipality assist the local communities in ensuring that the 23 community halls and three sports facilities in their respective areas are maintained. The municipality has constructed two community halls at Ditshipeng and Padstow.

Libraries, Archives, Museums, Galleries, Community facilities, other Policy Objectives Taken From IDP									
Service objective	Outline service target	Year 0		Year 1			Year 2	Year3	
(i)	(ii)	Target	Actual	target		Actual	Target		
		Previous year (iii)	(iv)	Previous year (v)	Current year (vi)	(vii)	(viii)	Current year (ix)	Following year (x)
Service objective									
Promote Sports, Arts and Culture	To provide reports on library services , business plan developed for the requisition of funds for library and Memorandum of Understanding services to Council and Department of Sports, Arts and Culture	4 quarterly reports on library services, 1 business plan and 1 Memorandum of Understanding to Council and Department of Sports, Arts and Culture by June 2016	4 quarterly reports on library services, 1 business plan and 1 Memorandum of Understanding to Council and Department of Sports, Arts and Culture developed and	To ensure monitoring of community libraries	4 quarterly reports on library services, 1 business plan and 1 Memorandum of Understanding to Council and Department of Sports, Arts and Culture by June 2017	Two community libraries were monitored			4 quarterly reports on library services, 1 business plan and 1 Memorandum of Understanding to Council and Department of Sports, Arts and Culture by June 2018

<b>Provide recreational facilities</b>	To hold campaigns for the usage of recreational facilities, consumer education for housing and environmental awareness	4 campaigns held for the usage of recreational facilities, consumer education for housing and environmental awareness by June 2016	4 campaigns for the usage of recreational facilities, consumer education for housing and environmental awareness were held		4 campaigns held for the usage of recreational facilities, consumer education for housing and environmental awareness by June 2017				
--	--	--	--	--	--	--	--	--	--

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	3	3	0	0%
4 - 6	2	2	2	1	33%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	5	5	5	1	33%

## CEMETORIES AND CREMATORIIUMS

### INTRODUCTION TO CEMETORIES & CREMATORIIUMS

JMLM is constructing cemeteries through EPWP incentive grant, due to high backlog of cemeteries in the area, the municipality has priorities to construct cemeteries in 15 villages per financial year. Since majority of the areas are situated in communal land and the cemeteries are managed in a tribal procedures.

Cemeteries and Crematorium Policy Objectives Taken From IDP										
Service objective   (i)	Outline service target  (ii)	Year 0		Year 1			Year 2	Year3		
		Target	Actual	Target		Actual	Target			
		Previous year (iii)	(iv)	Previous year (v)	Current year (vi)	(vii)	(viii)	Current year (ix)	Following year (x)	
Service objective										
Promote safe and clean environment	To upgrade cemeteries	To upgrade cemeteries in 14 villages by June 2016	614 cemeteries were upgraded	To upgrade cemeteries in 15 villages by June 2015	To upgrade cemeteries in 14 villages by June 2016	6 cemeteries were upgraded		To upgrade cemeteries in 6 villages by June 2017	Three reports on 16 cemeteries upgraded by June2016	

Employees: cemeteries and crematoriums					
Job Level	Year-1	Year 0			
	Employees No:	Posts No:	Employees No:	Vacancies (fulltime equivalents)	Vacancies ( as a % of total posts)
0-3	0	0	0	0	0
4-6	0	0	0	0	0
7-9	1	1	0	0	0
10-12	0	0	0	0	0
13-15	0	0	0	0	0
16-18	0	0	0	0	0



19-20	0	0	0	0	0
Total	0	0	0	0	0

## COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

### FIRE

Fire Services Policy Objectives Taken From IDP									
Service objective  (i)	Outline service target  (ii)	Year -1		Year 0			Year 2	Year3	
		Target	Actual	Target		Actual	Target		
		Previous year (iii)	(iv)	Previous year (v)	Current year (vi)	(vii)	(viii)	Current year (ix)	Following year (x)
Service objective									
Promote safe and clean environment	Attending and reporting veld fire	To effectively manage disasters and the prevention thereof on an agency basis throughout the 2012/13 financial year; as measured in terms of	No veld fires were reported in the 2015/16 FY	No veld fires were reported in the 2015/16 FY	4 reports on coordination of working on fire (WOF)	4 reports on coordination of working on fire (WOF) were developed	4 reports on coordination of working on fire (WOF)	4 reports on coordination of working on fire (WOF)	4 reports on coordination of working on fire (WOF)

		the availability of essential firefighting equipment in all (100%) of municipal wards							
--	--	--	--	--	--	--	--	--	--

**Sports and Recreation Policy Objectives Taken From IDP**

Service objective	Outline service target	Year-1		Year 0			Year 2	Year3	
		Target	Actual	target		Actual	Target		
		Previous year		Previous year	Curren t year			Current year	Followi ng year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)

Service objective									
Promote Sports, Arts and Culture	To construct 3 community halls	Finalization of the Bothethelets a Hall by June 2015	The constructio n of Bothethelet sa Hall completed	The construction of Bothetheletsa completed	Constr uction of Laxey hall June 2017	Construction of Laxey hall June 2017	Finalization of the Laxey Hall by June 2018	Finalization of Laxey hall June 2018	To constru ct one commu nity hall by June 2019
	To provide a report on recreational facilities maintained	Maintenance and managemen t of municipal recreational facilities	4 Sports field and 20 Community halls were maintained.	Maintenance and management of municipal recreational facilities	4 reports on recreati onal facilitie s maintai ned by June 2016	4 reports of recreational facilities maintained were submitted	4 reports on recreationa l facilities maintained by June 2017	4 reports on recreationa l facilities maintained by June 2018	4 reports on recreati onal facilities maintai ned by June 2019

Employees: Sport and Recreation					
Job Level	Year - 1	Year 0			
	Empl oye es	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	4	4	2	25%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	7	0	0%

13 - 15	0	0	9	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	4	4	2	0%

## COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

### 3.23 COMMUNITY HALLS AND RECREATIONAL FACILITIES

- One community hall was completed at Bothetheletsa.
- Four campaigns for the usage of recreational facilities were held.
- four reports on recreational facilities maintained were development.

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

### EXECUTIVE AND COUNCIL

The Mayor head municipality and fulfils this task by working together with the councilors. The Mayoral committee is functional and it ensures that there is integration of the work of Council between portfolio committee and respective departments. The Municipal Council compromises of the governing and decision making body of the Municipality whilst the municipal officials focus on the implementation of the Council resolutions. Council determines the direction of the Municipality by setting the course through the development of IDP and allocation of resources. Council develops policies and the responsibility of the municipal staff is to ensure that those policies are implemented. The accounting officer, municipal manager is responsible for the administration of the municipality.

### SERVICE STATISTICS FOR THE EXECUTIVE AND COUNCIL

Employees: Executive and Council					
Job level	2016/17	Posts	Employees no.	Vacancies (fulltime equivalent)	Vacancies (as a % of total posts)
	Employee no.				
0-3					
4-6					
7-9	4	4	4	0	
10-12					
13-15					
16-18					
19-20					

## FINANCIAL SERVICES

Debt Recovery							
R' 000							
Details of the types of account raised and recovered	Year -1		Year 0			Year 1	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates							
Electricity - B							
Electricity - C							
Water - B							
Water - C							
Sanitation							
Refuse							
Other							
B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.						T 3.25.2	

Concerning T 3.25.2

**Delete Directive note once table is completed** – The proportion of account value billed is calculated by taking the total value of the year's revenues collected against the bills raised in the year by the year's billed revenues.

T 3.25.2.1

Financial Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year 0		Year 1		Year 2	Year 3		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
Increase in speed of payment of tariffs, tax demands, invoices	No more than x% of creditors raised (in Rand value) during the year outstanding (o/s) at year end	No more than T0% of current/yr creditors o/s at/yr end	No more than A0% of current/yr creditors o/s at/yr end	No more than T1% of current/yr creditors o/s at/yr end	No more than T1% of current/yr creditors o/s at/yr end	No more than A1% of current/yr creditors o/s at/yr end	No more than T2% of current/yr creditors o/s at/yr end	No more than T5% of current/yr creditors o/s at/yr end	No more than T5% of current/yr creditors o/s at/yr end
Reducing the number of invoices raised by increasing advance payment for services rendered (A project requiring participation by all departments but let by the central finance department)	x% reduction in number of invoices raised over the previous year's target	T0% reduction in invoices raised; target limit of invoices	A0% reduction in invoices raised; target limit of invoices	T1% reduction in invoices raised; target limit of invoices	T1% reduction in invoices raised; target limit of invoices	A1% reduction in invoices raised; target limit of invoices	T2% reduction in invoices raised; target limit of invoices	T5% reduction in invoices raised; target limit of invoices	T5% reduction in invoices raised; target limit of invoices
Improving speed of legal measures to recover revenues	Commence legal proceedings for recovery of revenues within 4 weeks of the due date	Legal proceeding within 4 weeks of due date	Legal proceeding within 4 weeks of due date	Legal proceeding within 4 weeks of due date	Legal proceeding within 4 weeks of due date	Legal proceeding within 4 weeks of due date	% of legal proceeding commenced within 4 weeks of due date	% of legal proceeding commenced within 4 weeks of due date	% of legal proceeding commenced within 4 weeks of due date
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									
T 3.25.3									

Employees: Financial Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T 3.25.4					

Financial Performance Year 0: Financial Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T 3.25.5					



Capital Expenditure Year 0: Financial Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T 3.25.6

## HUMAN RESOURCE SERVICES

### RECORDS MANAGEMENT

The National Archives and Records Service of South Africa Act 43 of 1996 defines records management as the management of information resources in a manner that makes information easily accessible, securely protected and stored, and correctly disposed of when necessary. Thus records management controls and oversees the creation, maintenance, use and disposal of records. Records management is the process by which internally or externally generated physical or electronic records are managed from their inception, receipt and storage, all the way through to their disposal.

<b>SERVICE STATISTICS FOR RECORDS MANAGEMENT SERVICES</b>
---

Employees: Executive and Council					
Job level	2011/12	Posts	Employees no.	Vacancies (fulltime equivalent)	Vacancies (as a % of total posts)
	Employee no.				
0-3					
4-6	1		1	0	
7-9					
10-12	1		1	0	
13-15	1		1	0	
16-18					
19-20					
Total					

**SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES**  
**T 3.26.2**

Employees: Human Resource Services						
Job level	2014/15		Posts	Employees no.	Vacancies (fulltime equivalent)	Vacancies (as a % of total posts)
	Employee no.					
0-3						
4-6	2		2	2	0	
7-9	1		1	1	0	
10-12	2		2	2	0	
13-15	1		1	1	0	

Human Resource Services Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Promote Good Governance	Workshops on Policies and Code of Conduct	Review of Human Resources Policies	Achieved	Review of Human Resources Policies	4 Workshops on Policies and Code of conduct	Achieved	4 Workshops on Policies and Code of conduct	4 Workshops on Policies and Code of conduct	4 Workshops on Policies and Code of conduct
	Departmental Meetings held	12 Departmental Meetings held	Achieved	12 Departmental Meetings held	12 Departmental Meetings held	Achieved	12 Departmental Meetings held	12 Departmental Meetings held	12 Departmental Meetings held
	Developed and Updated quarterly council resolution Register	Developed and Updated quarterly council resolution register	Achieved	Developed and Updated quarterly council resolution register	Developed and Updated quarterly council resolution register	Achieved	Developed and Updated quarterly council resolution Register	Developed and Updated quarterly council resolution Register	Developed and Updated quarterly council resolution register

	Regulated council committee meetings	Adherence to both portfolio committee and council meeting	Achieved	Adherence to schedule of Council Agenda Items	Regulated Council Committee Meetings	Achieved	Regulated Council Committee Meetings	Regulated Council Committee Meetings	Regulated Council Committee Meetings
<b>Deliver Collaborate Solutions</b>	General Staff Meetings	4 General Staff Meetings	Achieved	4 General staff Meetings	4 General staff meetings	Achieved	4 General Staff Meetings	4 General Staff Meetings	4 General Staff meetings
	Local Labour Forum meetings	12 Local Labour Forum meetings	Not achieved	Local Labour Forum functionality	12 Local Labour Forum Meetings	Not achieved	12 Local Labour Forum Meetings	12 Local Labour Forum Meetings	12 Local Labour forum Meetings
<b>Achieve Employment Equity</b>	Review of employment equity plan	Review of Employment Equity Plan	Achieved	Review of Employment Equity Plan	Review of Employment Equity Plan	Achieved	Review of Employment Equity Plan	Review of Employment Equity Plan	Review of Employment Equity Plan
	Quarterly reports on the reviewed Employment equity Plan submitted to Council	Quarterly Reports on the reviewed Employment Equity Plan submitted to Council	Achieved	Quarterly Reports on the reviewed Employment Equity Plan submitted to Council	Quarterly Reports on the reviewed Employment Equity Plan submitted to Council	Achieved	Quarterly Reports on the reviewed Employment Equity Plan submitted to Council	Quarterly Reports on the reviewed Employment Equity Plan submitted to Council	Quarterly Reports on reviewed Employment Equity Plan submitted to council
<b>Achieve Positive employee climate</b>	Job descriptions for New Positions completed	Job descriptions for New Positions completed	Achieved	Job descriptions for New Positions completed	Job Descriptions for New Positions completed	Achieved	Job Descriptions for New Positions completed	Job Descriptions for New Positions completed	Job Descriptions for New Positions completed

	Develop and submit WSP to council ,LGSETA and COGHSTA by June	Skills Development Plan submitted	Achieved	Skills Development Plan submitted	Develop and submit WSP to Council, LGSETA and COGHSTA by June 2015	Achieved	Develop and submit WSP to Council, LGSETA and COGHSTA by June 2016	Develop and submit WSP to Council, LGSETA and COGHSTA by June 2017	Develop and submit WSP to council ,LGSETA and COGHSTA by June 2018

1. Human Resource unit deals with the following issues: Labour relation, Health and Safety, Skills Development, Leave days, Employees Files, Medical aids and deduction from Employees' salaries

Employees: Human Resource Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6	2	2	2	0	
7 - 9	1	1	1	0	
10 - 12	2	2	2	0	
13 - 15	1	1	1	0	
16 - 18					
19 - 20					
Total	6	6	6	0	

## INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information Technology in all its forms have become essential to manage the transactions, information and knowledge necessary to ensure that citizen demand for services delivery and administrative and operational efficiencies are met. It is so pervasive that it is essential for Joe Morolong Local Municipality to ensure that the function delivers its intended benefits that risks are managed and that its resources are managed efficiently.

### SERVICE STATISTICS FOR ICT SERVICES

Employees: Executive and Council					
Job level	2016/17	Posts	Employees no.	Vacancies (fulltime equivalent)	Vacancies (as a % of total posts)
	Employee no.				
0-3					
4-6	1		1	0	
7-9					
10-12	1		1	0	
13-15	1		1	0	
16-18					
19-20					
Total					

ICT Services Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
<i>Improve ICT EFFECIENCY</i>	Develop and publish draft ICT strategy	Development of IT policies	Achieved	Development of IT Policies	Development and Publish draft ICT Strategy	Achieved ICT strategy developed and published by June 2016			



## **COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD**

Assessment for the year under review was not done.

### **CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)**

#### **COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL**

##### **CHAPTER 4**

##### **ORGANISATIONAL DEVELOPMENT PERFORMANCE**

Council has adopted a number of policies to ensure that the work of this municipality is conducted within the prescripts of the law.

The Department of Corporate Services provides administrative support services to the entire municipality by ensuring efficient committee management, Council meetings and a human resource function to the administrative staff and leads in areas of good governance.

Corporate Services is responsible for the effective and efficient execution of all the supporting administrative functions that include support needed to attract, retain and develop talent in the municipality, the coordination of systems and processes, to enable the municipality to perform matters of service delivery.

The Corporate Services administers the Municipality's human resource development and management, political offices, labour relations, information technology and facilities management.

## Staff establishment

There are 201 employees in the Municipality. The total number of posts as per the approved structure is 220, 19 is the number of vacant positions.

### EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	2016/17			
	Approved posts No.	Employees No.	Vacancies No.	Vacancies %
Office of the Municipal Manger	14	12	2	0%
Financial Services	41	40	1	0%
Corporate Services	31	30	1	1%
Technical Services	83	74	9	0%
Community Services	47	41	6	0%
Planning and Development	4	4	0	0%

**VACANCY RATE** (departments must indicate vacancies that are funded and exist during 2016/17 and we will do a narrative report underneath if the posts were filled)

Vacancy rate 2016/17			
Designations	Total Approved posts (No.)	Vacancies (total time that vacancies exist using fulltime equivalents) No.	Vacancies (as a proportion of total posts in each category) %
Director: Technical Services	1	0	
Director: Planning and Development	1	0	
Director: Community Services	1	0	
Director: Corporate Services	1	0	
Chief Financial officer	1	1	100%
Municipal Manager	1	1	100%

Turn-over rate			
Details	Total appointments as of beginning of financial year. (No.)	Terminations during the financial year. (No.)	Turnover rate*
2016/17	37	4	
*Divide the number of employees who have left the organization within year, by total number of employees who occupied posts at the beginning of the year			

## MANAGING THE MUNICIPAL WORKFORCE

The Corporate Services administers the Municipality's human resource development and management, political offices, labour relations, Information technology and facilities management.

Expenditure for employees in 2016/17

Did we overspend or not (if yes why?)

### POLICIES

HR policies and plan				
	Name of policy	Completed	Reviewed	Date adopted by Council or comment on failure to adopt
1.	Tariff policy		✓	17/05/2016
2.	Fruitless and wasteful policy		✓	17/05/2016
3.	Cash shortage policy		✓	17/05/2016
4.	Bad debt write off policy		✓	17/05/2016
5.	Property rates policy		✓	17/05/2016

6.	Banking and investment policy		✓	17/05/2016
7.	Budget policy		✓	17/05/2016
8.	Credit control and debt collection policy		✓	17/05/2016
9.	Indigent policy		✓	17/05/2016
10.	Fixed assets policy		✓	17/05/2016
11.	Risk management		✓	17/05/2016
12.	Petty Cash		✓	17/05/2016
13.	Assets Management		✓	17/05/2016
14.	Supply Chain Management policy		✓	17/05/2016
15.	Records Management Policy	√		30/10/2015
16.	Fleet Management Policy	√		13/08/2015
17.	Communication Policy		√	13/08/2016
18.	Health and Safety Policy		√	07/06/2016

#### INJURIES, SICKNESS AND SUSPENSIONS

Number and cost per injuries on Duty					
Type of injury	Injury leave taken	Employees using injury leave (no.)	Proportion employees using sick leave %	Average injury leave per employee	Total estimated cost R'000

Required basic medical attention only	39		yes	1	R0
Temporary total disablement					
Fatal					
Total					

There was one injury on duty in the year under review and there were two suspensions.

Number of days and cost of sick leave (excluding injuries on duty)						
Salary band	Total sick leave days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post*	*Average sick leave per employee	Estimated cost R'000
Lower skilled (levels 1 – 2)	80	1%	9	61		
Skilled (levels 3 – 5)	80	30%	5	5		
High skilled production (levels 6 – 8)	80	9%	22	110		
Senior	80	4%	11	15		

management						
MM and section 57	30	0%	4	6		
Total						
*Number of employees at the beginning of the year						
*Average is calculated by taking sick leave in column 2 divided by total employees in column 5						

MANAGING THE WORKFORCE EXPENDITURE		
Number of employees whose salaries were increased due to their positions being upgraded		
Beneficiaries	Gender	Total
Low skilled (levels 1-2)	F	
	M	
Skilled (levels 3-5)	F	
	M	
High skilled production (levels 6 – 8)	F	
	M	
Highly skilled supervision (levels 9-12)	F	
	M	
Senior management (levels 13-16)	F	

	M	
MM and SS 57	F	
	M	

None

Employees whose salary levels exceeded the grade determined by job evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation

None

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when not established post exist

None



## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

The financial position of the municipality improved as compared to the past financial year. Despite challenges of low or not having a revenue base, we maintained a positive cash flow and managed the cash flow management to meet its obligations.

The financial position indicates that the municipality can still be able to settle its debt timeously as set out by the legislation.

Notwithstanding the negative impact on revenue streams and ability to spend according to service delivery and budget implementation plan, the municipality manages to maintain focus on key service delivery areas. Focus has been on infrastructure projects and repair and maintenance

*T 5.0.1*

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

The municipality managed to increase its collection on the service charges and property rates from the budgeted amount of R15m and R6m (2013/14) to R20m and R10m. This was due to the new valuation roll which was developed and implemented in the financial year.

The implementation of infrastructure and other related projects in the current financial year is positive as most of the projects have been completed timeously with the exception of a few projects to be completed early in the new financial year.

The completion of other water projects in other villages also increased the water service charges as the municipality started to sell water.

*T 5.1.0*

# STATEMENTS OF FINANCIAL PERFORMANCE

Reconciliation of Table A1 Budget Summary

Description  R thousands	Year 0											Year -1			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Financial Performance</b>															
Property rates	9 651		9 651			9 651									
Service charges	16 093		16 093			16 093									
Investment revenue	-		-			-									
Transfers recognised - operational	111 580		111 580			111 580									
Other own revenue	839		839			839									
<b>Total Revenue (excluding capital transfers and contributions)</b>	138 163		138 163												
Employee costs	45 227		45 227			45 227									
Remuneration of councillors	8 226		8 226			8 226									
Debt impairment			-			-									
Depreciation & asset impairment	9 826		9 826			9 826									
Finance charges	884		884			884									
Materials and bulk purchases	11 169		11 169			11 169									
Transfers and grants	2 021		2 021			2 021									
Other expenditure	31 921		31 921			31 921									
<b>Total Expenditure</b>	109 273		109 273												
<b>Surplus/(Deficit)</b>	28 890		28 890												
Transfers recognised - capital	104 205		104 205			104 205									
Contributions recognised - capital & contributed assets			-			-									
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	133 095		133 095												
Share of surplus/ (deficit) of associate			-			-									
<b>Surplus/(Deficit) for the year</b>	133 095		133 095												
<b>Capital expenditure &amp; funds sources</b>															
<b>Capital expenditure</b>															
Transfers recognised - capital	104 205		104 205			104 205									
Public contributions & donations	-		-			-									
Borrowing	-		-			-									
Internally generated funds	28 890		28 890			28 890									
<b>Total sources of capital funds</b>	133 095		133 095			133 095									
<b>Cash flows</b>															
Net cash from (used) operating	136 892		136 892			136 892									
Net cash from (used) investing	(133 073)		(133 073)			(133 073)									
Net cash from (used) financing	(784)		(784)			(784)									
<b>Cash/cash equivalents at the year end</b>	6 048		6 048												

Financial Performance of Operational Services						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	40 903	35 061			#DIV/0!	#DIV/0!
Waste Water (Sanitation)					#DIV/0!	#DIV/0!
Electricity	5 924	6 688			#DIV/0!	#DIV/0!
Waste Management					#DIV/0!	#DIV/0!
Housing	9 366				#DIV/0!	#DIV/0!
Component A: sub-total	56 193	41 749	–	–	#DIV/0!	#DIV/0!
Waste Water (Stormwater Drainage)					#DIV/0!	#DIV/0!
Roads					#DIV/0!	#DIV/0!
Transport					#DIV/0!	#DIV/0!
Component B: sub-total	–	–	–	–	#DIV/0!	#DIV/0!
Planning					#DIV/0!	#DIV/0!
Local Economic Development	1 994	2 178	3 915	2 635	17,33%	-48,59%
Component B: sub-total	1 994	2 178	3 915	2 635	17,33%	-48,59%
Planning (Strategic & Regulatory)					#DIV/0!	#DIV/0!
Local Economic Development					#DIV/0!	#DIV/0!
Component C: sub-total	–	–	–	–	#DIV/0!	#DIV/0!
Community & Social Services	20 326	10 528			#DIV/0!	#DIV/0!
Environmental Protection					#DIV/0!	#DIV/0!
Health					#DIV/0!	#DIV/0!
Security and Safety					#DIV/0!	#DIV/0!
Sport and Recreation					#DIV/0!	#DIV/0!
Corporate Policy Offices and Other	48 046	54 818			#DIV/0!	#DIV/0!
Component D: sub-total	68 372	65 346	–	–	#DIV/0!	#DIV/0!
<b>Total Expenditure</b>	<b>126 559</b>	<b>109 273</b>	<b>3 915</b>	<b>2 635</b>	<b>-4047,15%</b>	<b>-48,59%</b>
In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T 5.1.2

Grant Performance						
Description	R' 000					
	Year -1	Year 0		Year 0 Variance		
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	104 189	258 957	5 000	263 957		
Equitable share	93 255	115 253		115 253	0%	100%
Municipal Systems Improvement	934	930		930	0%	100%
Department of Water Affairs	10 000	22 500		22 500	0%	100%
Levy replacement						
Other transfers/grants [insert description]						
Finance Management	1 600	1 675		1 675	0%	100%
Municipal Water infrastructure	50 000	60 000		60 000	0%	100%
Regional Bulk Infrastructure	5 017				#DIV/0!	#DIV/0!
Municipal Infrastructure	57 058	58 599	5 000	63 599	8%	92%
Water Services Operating Subsidy						
<b>Provincial Government:</b>	1 969	3 841	–	3 841	0	
Health subsidy						
Housing						
Ambulance subsidy						
Sports and Recreation		1 505		1 505	0%	1
Expanded Public Works Programme	1 969	2 336		2 336	0%	1
Other transfers/grants [insert description]						
<b>District Municipality:</b>	–	–	–	–		
[insert description]						
<b>Other grant providers:</b>	–	–	–	–		
[insert description]						
<b>Total Operating Transfers and Grants</b>	<b>106 158</b>	<b>262 798</b>	<b>5 000</b>	<b>267 798</b>		
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						
Full list of provincial and national grants available from published gazettes.						T 5.2.1

## 5.2 GRANTS

#### **COMMENT ON OPERATING TRANSFERS AND GRANTS:**

Municipality received the whole allocation of the equitable share as per the DoRA. No portion of the grant was reverted to the National Revenue Fund as a result of underspending of the conditional grant.

During the 2014/15 financial year, the municipality received the following conditional grants where it ensured that all the conditions for the grants were met.

Municipal Infrastructure Grant, Municipal System Improvement Grant, Finance Management Grant, Water Service Operating Grant and the Municipal Water Infrastructure Grant.

The following income was received from the other sources for the capital projects:

Kumba Iron Ore Mine for the construction of the access roads.

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant Year -1	Actual Grant Year 0	Year 0 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
<b>Parastatals</b>						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
<b>Foreign Governments/Development Aid Agencies</b>						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
<b>Private Sector / Organisations</b>						
Kumba Iron Ore	8 445	7 067				Construction of access roads to villages
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
Provide a comprehensive response to this schedule					T 5.2.3	

### COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The municipality receive total grants to value of R 126 638 000.00. This can be categorized as follows:

MIG - R 63 599 000.00  
 RBIG - R 9 580 000.0  
 WSOG - R 22 500 000.00  
 MWIG - R 60 000 000.00

These grants were used to eradicate the backlog on water-, roads- and sanitation infrastructure.  
 The municipality managed to spend 100% on these grants.

T

5.2.4

---

## **ASSET MANAGEMENT**

### **INTRODUCTION TO ASSET MANAGEMENT**

#### **OVERVIEW OF ASSET MANAGEMENT**

Asset management guides the municipality on the accounting treatment and safeguarding of assets, recognition, measurement, disposal and retirement thereof.

The municipality developed the asset management policy as a guiding tool to comply with relevant legislation and reporting requirement as prescribed by the Accounting Standards and MFMA.

There is an Asset Management section established within the Supply Chain Management Unit to deal with the municipal assets. The unit comprise of the Asset Management Officer and Asset Management Clerk who are being supervised by the SCM Manager. The SCM unit is part of the Budget and Treasury Office and head by the Chief Financial Officer.

The overall asset of the municipality is the responsibility of the Accounting Officer.

*T 5.3.1*

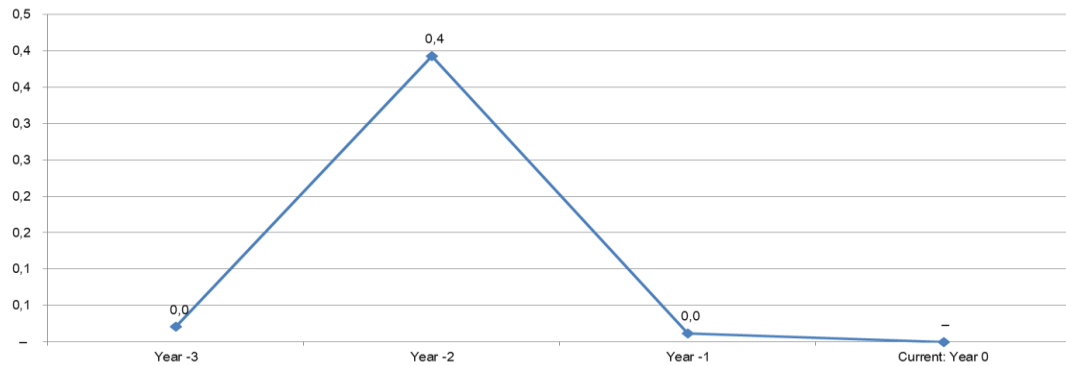


TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 0				
Asset 1				
Name	Padstow Community Hall			
Description	Construction of a Community Hall			
Asset Type	Property			
Key Staff Involved	Community services Director	PMU		
Staff Responsibilities	Monitor construction process and reporting			
Asset Value	Year -3	Year -2	Year -1	Year 0
			7 403	3 242
Capital Implications	Asset was financed from own funds			
Future Purpose of Asset	To provide the community with shelter for community meetings and generate revenue.			
Describe Key Issues				
Policies in Place to Manage Asset	Asset management policy.			
Asset 2				
Name	Ditshipeng Community Hall			
Description	Construction of a Community Hall			
Asset Type	Property			
Key Staff Involved	Community services D PMU			
Staff Responsibilities	Monitor construction process and reporting			
Asset Value	Year -3	Year -2	Year -1	Year 0
			7 403	3 242
Capital Implications	Asset was financed from own funds			
Future Purpose of Asset	To provide the community with shelter for community meetings and generate revenue.			
Describe Key Issues				
Policies in Place to Manage Asset	Asset management policy.			
Asset 3				
Name	Water reticulation network			
Description	Reticulation network			
Asset Type	Water infrasructure			
Key Staff Involved	Technical Director	PMU		
Staff Responsibilities	Monitor construction process and reporting			
Asset Value	Year -3	Year -2	Year -1	Year 0
Capital Implications	Asset financed form the conditional grants( MIG, MWIG)			
Future Purpose of Asset	Provide water to the community			
Describe Key Issues				
Policies in Place to Manage Asset	Asset management policy.			
				T 5.3.2

Repair and Maintenance Expenditure: Year 0				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	26 558	4 990	31 548	-19%
				T 5.3.4

## FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

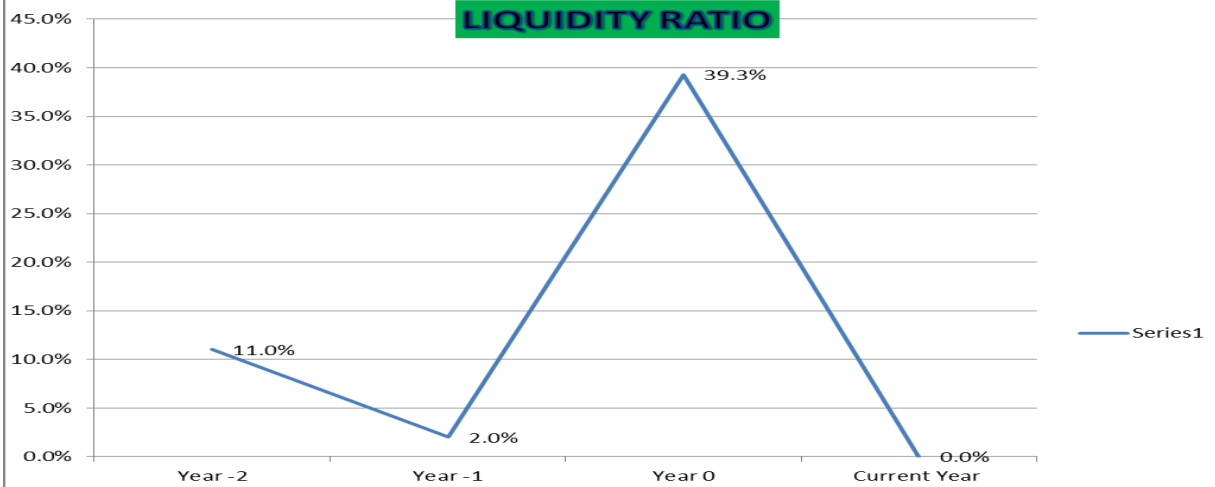
Liquidity Ratio



Liquidity Ratio – Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year ) by the municipality's current liabilities. A higher ratio is better.

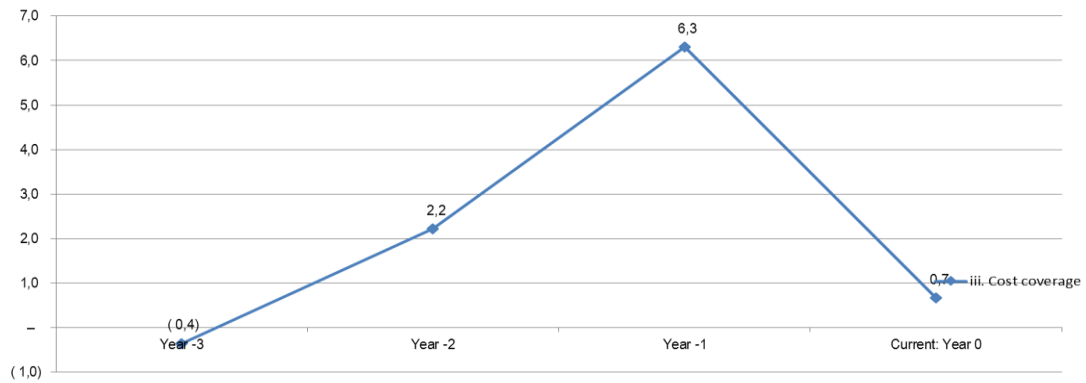
Data used from MBRR SA8

LIQUIDITY RATIO



T 5.4.1

### Cost Coverage

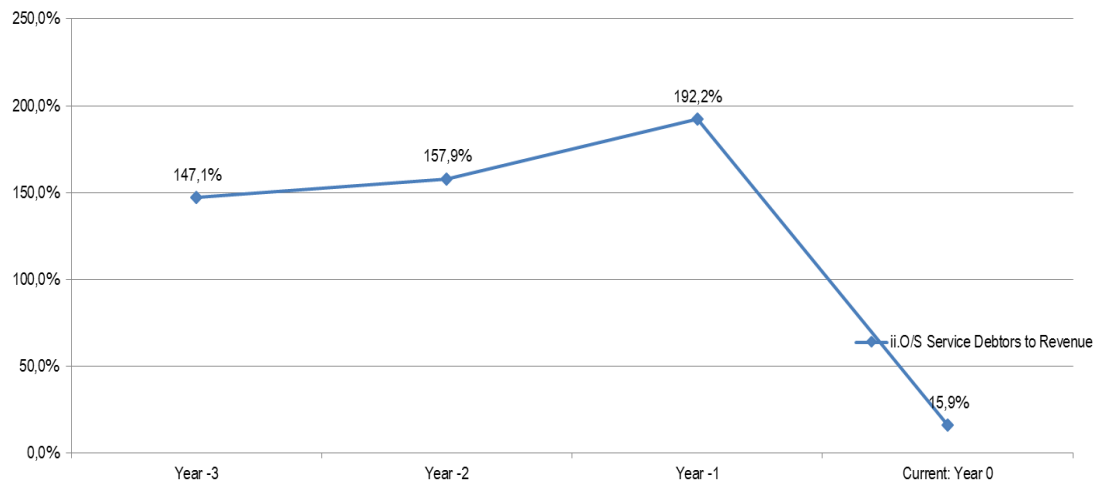


Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

T 5.4.2

### Total Outstanding Service Debtors

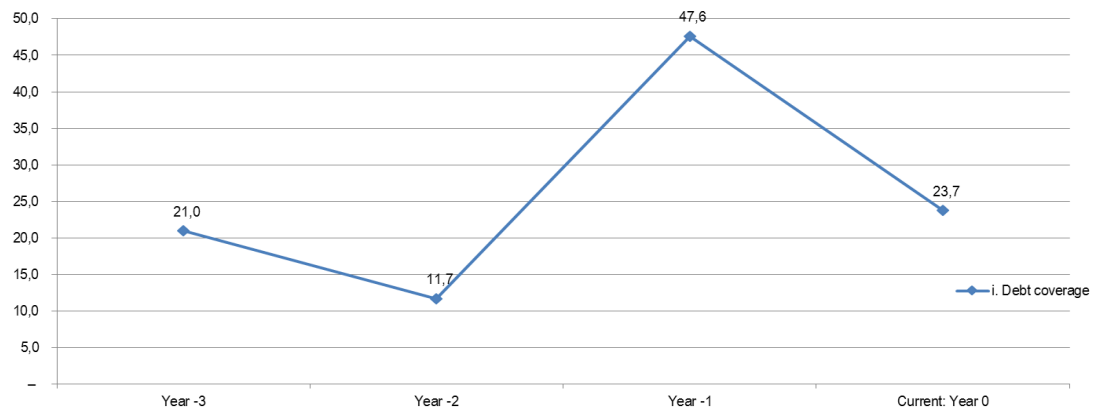


Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

Data used from MBRR SA8

T 5.4.3

### Debt Coverage

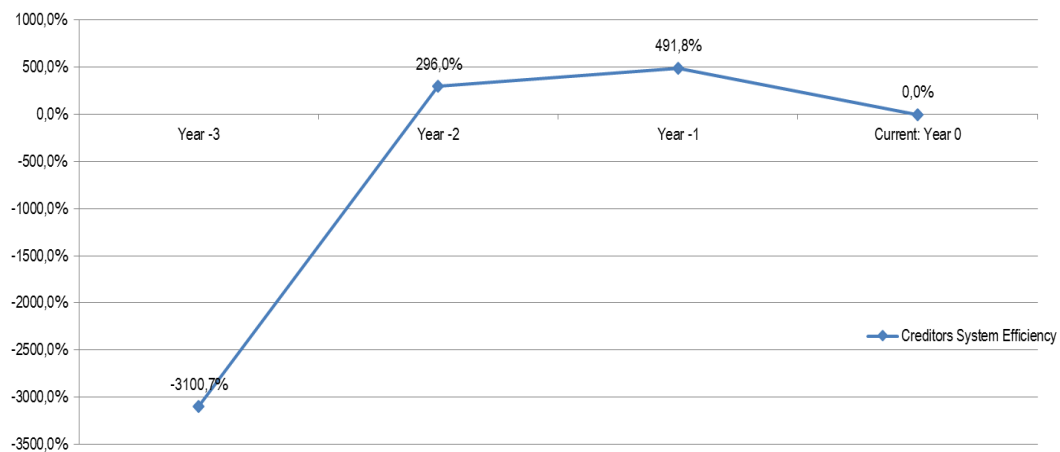


Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality

Data used from MBRR SA8

T 5.4.4

### Creditors System Efficiency

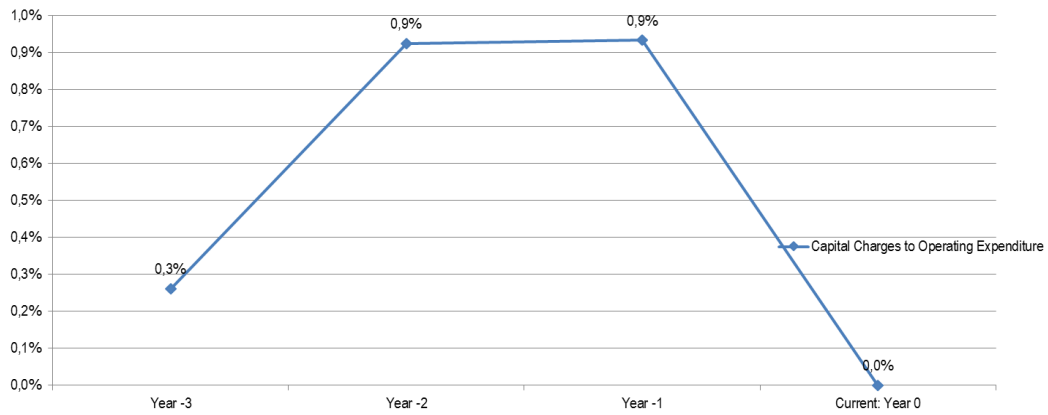


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.5

### Capital Charges to Operating Expenditure

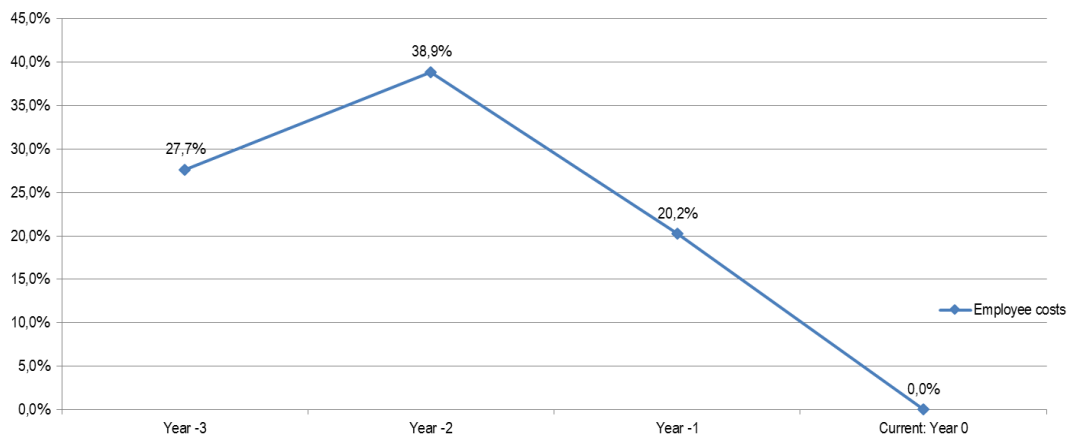


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T 5.4.6

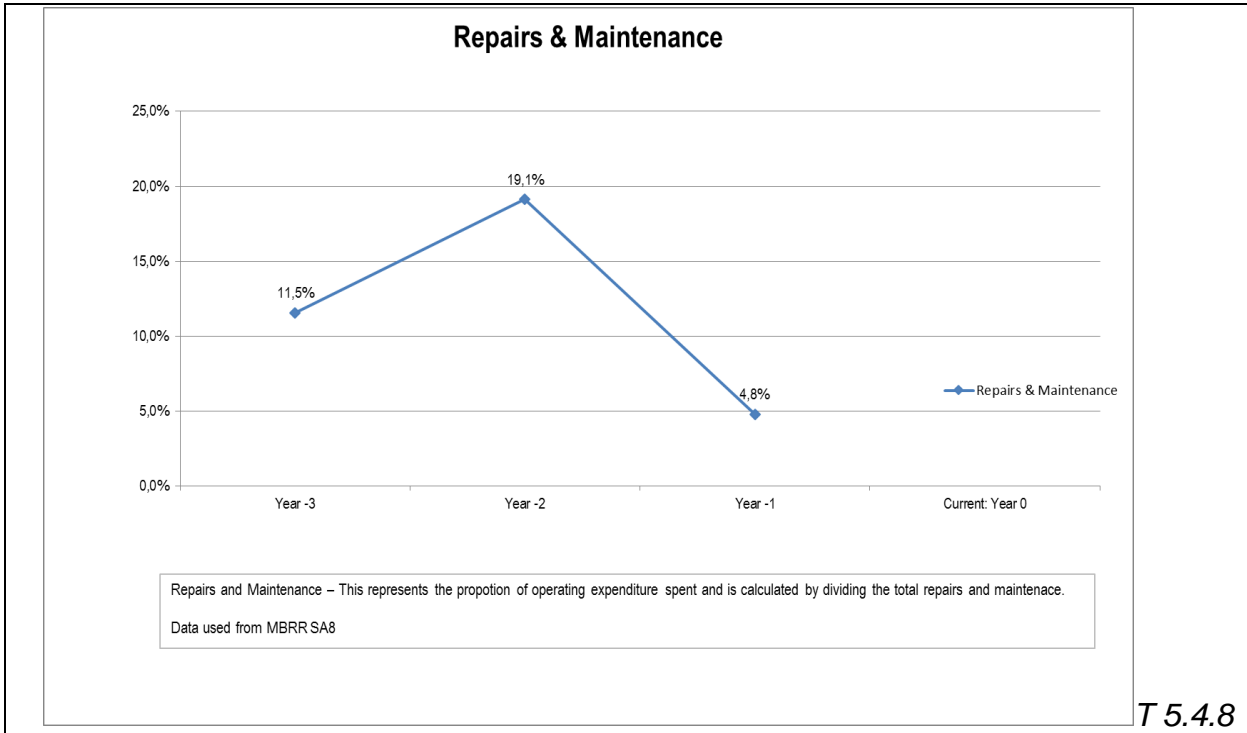
### Employee Costs



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

T 5.4.7



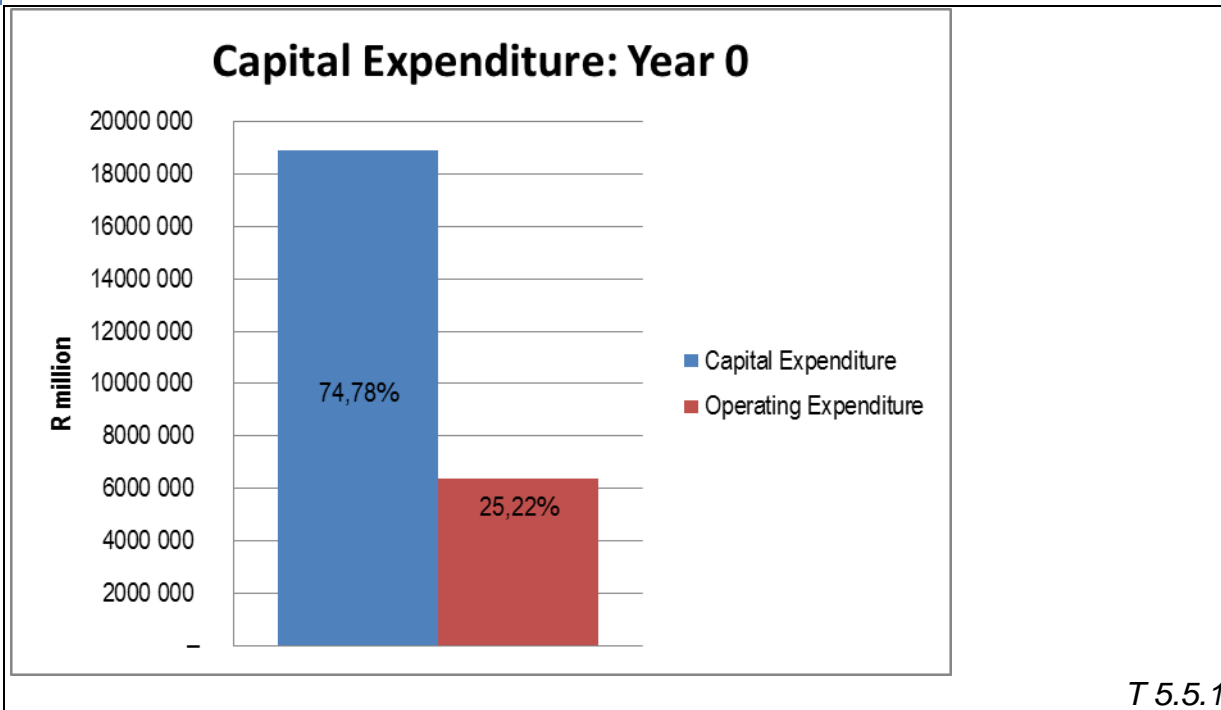
**COMMENT ON FINANCIAL RATIOS:**

These ratios are derived from table **SA8 of the MBRR.**

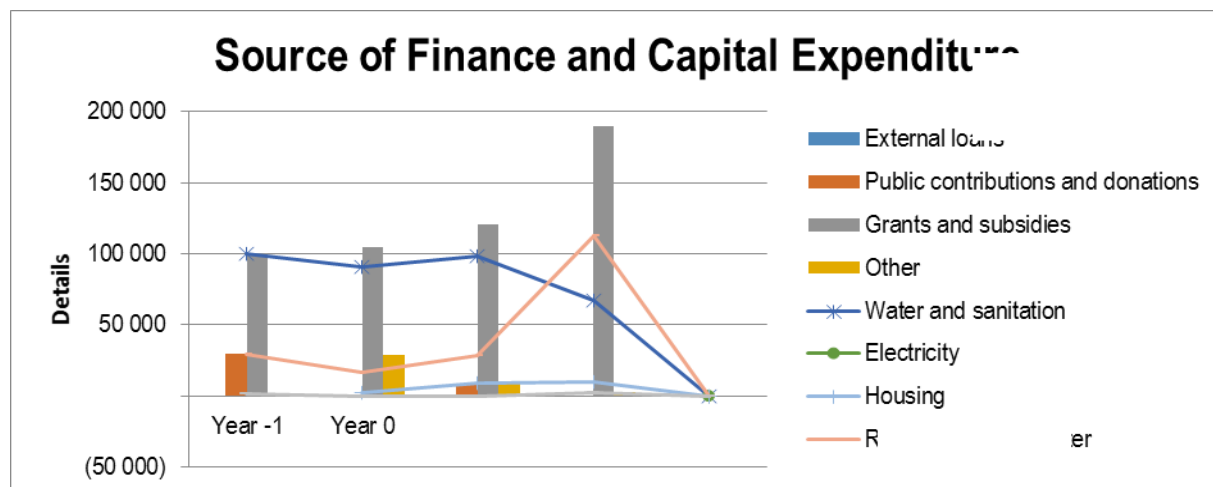
*T 5.4.9*

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### CAPITAL EXPENDITURE



### SOURCES OF FINANCE



#### **COMMENT ON SOURCES OF FUNDING:**

Capital expenditure is funded mainly from conditional grants and other sources like mining bodies and own funds. The difference between the budget and the actual is as a result of other stakeholders not submitting their budget allocations to be included in the municipality's budget. They are recognized only after the transfer is received and the budget adjusted.

*T 5.6.1.1*

#### **CAPITAL SPENDING ON 5 LARGEST PROJECTS**



Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	Current: Year 0			Variance: Current Year 0	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
Upgrading of Kangkhudung Road - Phase 3	11 400	11 400		100%	0%
Gadiboe Water Supply	6 539	6 539		100%	0%
Tsineng Water Supply	10 700	18 523		100%	-73%
Bendell - Phase 2 Water Supply	6 372	6 372		100%	0%
Kiangkop Water Supply	10 000	13 106		100%	-31%
* Projects with the highest capital expenditure in Year 0					
<b>Upgrading of Kangkhudung Road - Phase 3</b>					
Objective of Project	Construct 3km gravel to tar road from N14 to Kangkhudung				
Delays	Sealing contractor to establish site				
Future Challenges	Maintenance Costs				
Anticipated citizen benefits	900				
<b>Gadiboe Water Supply</b>					
Objective of Project	Source verification, siting , drilling, testing and equipping of borehole and storage. Construction of dedicated pumpmain, internal reticulation and 24 Prepaid standpipes				
Delays	None				
Future Challenges	Maintenance Costs				
Anticipated citizen benefits	600				
<b>Tsineng Water Supply</b>					
Objective of Project	Supply and erect a 400 kℓ pressed steel tank on a 15m tank stand; Construction of 9.2 km of uPVC pipe ranging from 160mm ø to 63 mm ø as part of the internal reticulation; Construction of 3.4 km of 90mm ø uPVC for a dedicated pump main; Supply and install 62 new pre-paid stand pipe units; Replace two existing boreholes equipment and pump houses; Source development for additional borehole/s to reached required demand; Equip new borehole/s; Electrify new boreholes.				
Delays	Hard rock excavation				
Future Challenges	Maintenance Costs				
Anticipated citizen benefits	1873				
<b>Bendell - Phase 2 Water Supply</b>					
Objective of Project	The Scope of Work that is currently to be done at Bendell Phase 2 is the following: Equipping of 4 boreholes with diesel units, Construction of 2.1km internal reticulation, Construction of 4.3km main pumpline, And construction of 66 prepaid standpipes.				
Delays	Community interruptions				
Future Challenges	Maintenance Costs				
Anticipated citizen benefits	2589				
<b>Kiangkop Water Supply</b>					
Objective of Project	Source verification of existing borehole, siting, drilling and testing of 2 additional boreholes, construct 50kl steel tank, construct 650m internal reticulation, construc 1.5km pump main, install 9 prepaid standpipes.				
Delays	Community interruptions				
Future Challenges	Maintenance Costs				
Anticipated citizen benefits	2026				
T 5.7.1					

**COMMENT ON CAPITAL PROJECTS:**

In total, the municipality implemented 17 Water infrastructure-, 6 Road-, 12 Sanitation-, 2 Community Hall- and 4 Housing projects in the 2014-15 Financial Year. Challenges which were encountered and dealt with on the capital projects included community interruptions, late delivery of key material and hard rock at certain sites. However, the municipality still achieve 100% expenditure of the allocated MIG, MWIG and Refurbishment Grants.

*T 5.7.1.1*

**BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW****INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS**

There are about 186 rural villages in the Joe Morolong Local Municipality area that need access to basic services like water, electricity, sanitation, housing and roads. Although STATS SA showed a decrease in total population for the area, there is a trend towards disaggregation of families into more than one housing unit. This situation caused a yearly increase of the number of households. Distances between the various villages makes it very difficult to provide basic services as bulk infrastructure to be shared between villages are practical impossible. This have a dramatic effect on the project and maintenance cost

*T 5.8.1*

Service Backlogs as at 30 June Year 0				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	17780	75	5927	25
Sanitation	19203	81	4504	19
Electricity	19383	82	4325	18
Waste management				
Housing				
<i>% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to * formal and ** informal settlements.</i>				

*T 5.8.2*

R' 000						
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjust-ments Budget	
Infrastructure - Road transport				%	%	
Roads, Pavements & Bridges	16493	16493	16493	0	%	
Storm water						
Infrastructure - Electricity				%	%	
Generation	0	0	0	0	0	
Transmission & Reticulation						
Street Lighting						
Infrastructure - Water				%	%	
Dams & Reservoirs						
Water purification						
Reticulation	17278	17278	17278	0	%	
Infrastructure - Sanitation				%	%	
Reticulation	18099	18099	18099	0	%	
Sewerage purification						
Infrastructure - Other						
Waste Management						
Transportation						
Gas						
Other Specify:						
Total	51870	51870	51870	0	%	
* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T 5.8.3

### COMMENT ON BACKLOGS:

The MIG grant was use to Upgrade roads in the area, to improve access to decent sanitation facilities and to provide more people access to basic water according to the minimum standards.

T 5.8.4

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### CASH FLOW

financial summary						R'000
Description	2013/14	Budget Year 2014/15			Variance 2014/15	
	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
<b>Cash flows</b>						
Net cash from(used) operating activities	149 643	136 892	150 879		-100%	-100%
Net cash from(used) investing	(131 146)	(133 073)	(138 845)		-100%	-100%
Net cash from(used) financing	(1 225)	(784)	(784)		-100%	-100%
Cash and cash equivalent at year end	14 703	6 048	14 349		-100%	-100%
<b>Cash backed reserves/ accumulated surplus reconciliation</b>						
Cash and investments available	14 703	3 231	19 349		-100%	-100%
Application of cash and investments	(18 386)	2 036	1 825		-100%	-100%
Surplus/ shortfall	33 089	1 195	17 524	–	-100%	-100%
<b>Asset management</b>						
Total asset register summary	1 159 368	1 017 648	1 168 019		-100%	-100%
Depreciation and asset impairment	24 326	9 826	7 717		-100%	-100%
Renewal of existing asset	–	10 500	10 250		-100%	-100%
Repair and maintenance	18 215	7 730	6 515		-100%	-100%
<b>Basic services</b>						
Cost of free basic services provided	1 915	2 011	2 461		-100%	-100%
<b>Households below minimum service level</b>						
Water	1941	1941	1941			
Electricity	2901	3322	3322		-100%	-100%
Sanitation	–	4 323	4 323		-100%	-100%
Refuse	23434	23707	23707		-100%	-100%

## COMMENT ON CASH FLOW OUTCOMES:

Cash Flow Outcomes				
R'000				
Description	Year -1	Current: Year 0		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other		23 155	29 496	29 496
Government - operating		147 129	155 445	155 445
Government - capital		115 669	132 751	132 751
Interest		40	364	364
Dividends				
<b>Payments</b>				
Suppliers and employees		(143 873)	(169 779)	(169 779)
Finance charges		(149)	(177)	(177)
Transfers and Grants		(4 730)	(4 730)	(4 730)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>-</b>	<b>137 242</b>	<b>143 370</b>	<b>143 370</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE				
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
<b>Payments</b>				
Capital assets		(126 383)	(138 900)	(138 900)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-</b>	<b>(126 383)</b>	<b>(138 900)</b>	<b>(138 900)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
<b>Payments</b>				
Repayment of borrowing		(784)	(784)	(784)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>(784)</b>	<b>(784)</b>	<b>(784)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>-</b>	<b>10 074</b>	<b>3 686</b>	<b>3 686</b>
Cash/cash equivalents at the year begin:		3 099	3 099	3 099
Cash/cash equivalents at the year end:		13 173	6 785	6 785
Source: MBRR A7				T 5.9.1

Proper cash flow management is maintained in the municipality to ensure that it meet its obligation. Spending within the budget is emphasized and strongly monitored. The votes are auto-blocked to prevent over spending.

Cash which is not immediately required is transferred into an investment account to generate additional income. The interest generated from the invested cash is used to build reserves.

T 5.9.1.1

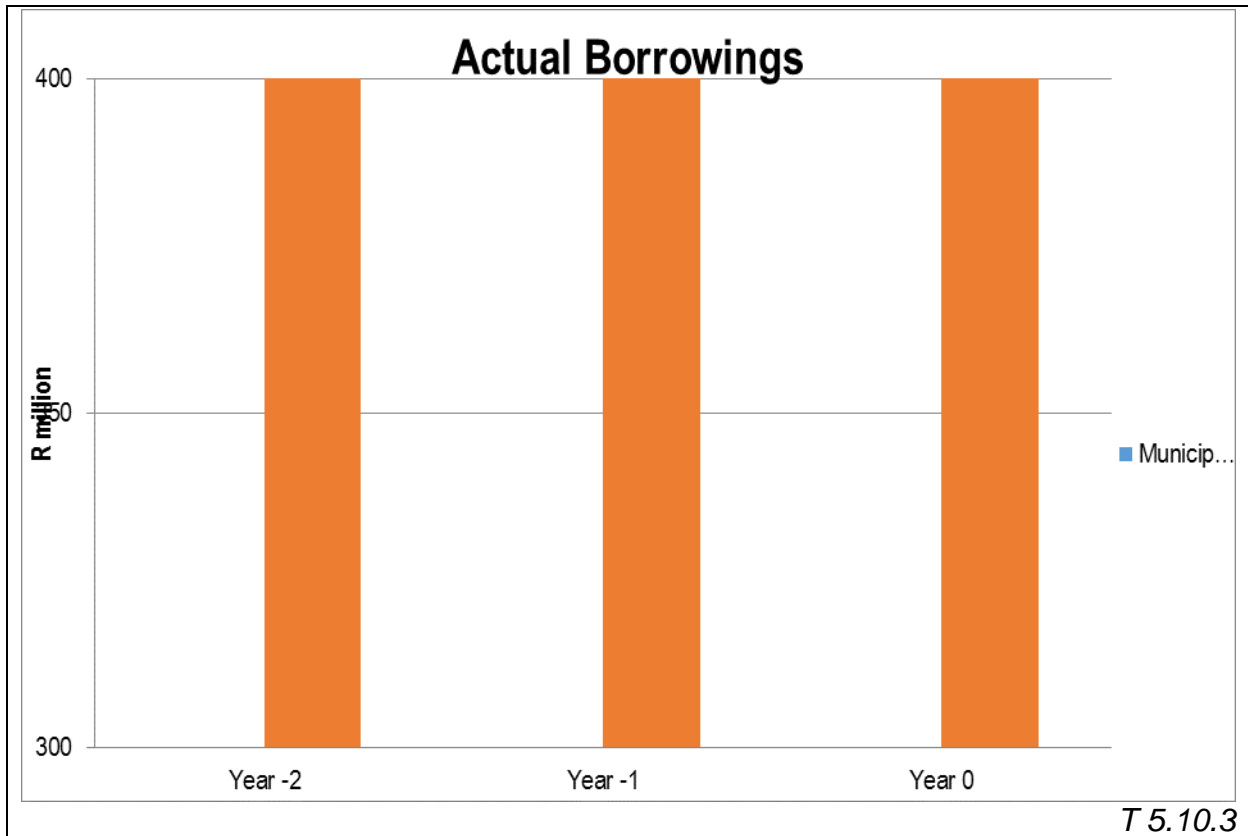
## BORROWING AND INVESTMENTS

### INTRODUCTION TO BORROWING AND INVESTMENTS

T 5.10.1

Actual Borrowings: Year -2 to Year 0			
	R' 000		
Instrument	Year -2	Year -1	Year 0
<b>Municipality</b>			
Long-Term Loans (annuity/reducing balance)	4 163	2 937	2 937
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
<b>Municipality Total</b>	<b>4 163</b>	<b>2 937</b>	<b>2 937</b>
<b>Municipal Entities</b>			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
<b>Entities Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

T 5.10.2



**COMMENT ON BORROWING AND INVESTMENTS:**

The municipality is still servicing the loans from DBSA. No other new loans were made during the financial year under review.

*T 5.10.5*

**GRAP COMPLIANCE**

**GRAP COMPLIANCE**

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

Municipality is in compliance with all GRAP standards and will maintain it.

*T 5.13.1*

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General.

*T 6.0.1*

## COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR -1

### AUDITOR GENERAL REPORTS YEAR -1 (PREVIOUS YEAR)

Auditor-General Report on Service Delivery Performance: Year -1	
<b>Audit Report Status:</b>	<b>Qualified</b>
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Expenditure transactions recorded on the general ledger and Financial statement inclusive of VAT - Projected (EX63)	Current year •Revisit the population for the first 6 month and make the necessary adjustments. •Inspect the whether the votes are established correctly, example fuel needs to be non- vat able •Correctness of votes needs to be continuously monitored •Vat vendor searches on all vat invoices received • Vat training for expenditure staff
Auditor's fees invoices don't agree with AFS	•Account for internal and External Audit in two separate votes
Post-employment benefit understated (EX94)	Review the way we account for Post - employment benefits
	<i>T 6.1.2</i>

Auditor-General Report on Service Delivery Performance: Year -1	
<b>Audit Report Status:</b>	
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
	<i>T 6.1.2</i>



## COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR)

### AUDITOR GENERAL REPORT YEAR 0

Auditor-General Report on Financial Performance Year 0*	
Status of audit report:	
Non-Compliance Issues	Remedial Action Taken
<i>Note: * The report's status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse). This table will be completed prior to the publication of the Annual report but following the receipt of the Auditor- General Report on Financial Performance Year 0.</i>	
	T 6.2.1

Auditor-General Report on Service Delivery Performance: Year 0*	
Status of audit report**:	
Non-Compliance Issues	Remedial Action Taken
<i>* This table will be completed prior to the publication of the Annual report but following the receipt of the Auditor- General Report on Service Delivery Performance Year 0</i>	
<i>** Inclusion of "Status" depends on nature of AG's remarks on Performance Data.</i>	
	T 6.2.2

**AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS: YEAR 0**

- Attach report.

**T 6.2.3**

**COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:**

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer).....

Dated

**T 6.2.5**

# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Joe Morolong Local Municipality

## Report on the audit of the financial statements

### Disclaimer of opinion

1. I was engaged to audit the financial statements of the Joe Morolong Local Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

#### Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment, as the financial statements presented for audit purposes did not materially agree with the asset register. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustment to property, plant and equipment stated at R1 803 725 312 (2016: R1 665 274 369) in note 8 to the financial statements was necessary.

#### Bank overdraft

4. The municipality did not have adequate systems in place to account for the bank overdraft in accordance with GRAP 1, *Presentation of financial statements*, which resulted in the bank overdraft being understated by R1 934 383. In addition, was unable to obtain sufficient appropriate audit evidence regarding the bank overdraft balance. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustment to bank overdraft stated at R29 053 447 in note 3 to the financial statements was necessary.

#### Revenue from exchange transactions

5. The municipality did not have adequate systems in place to account for revenue from exchange transactions in accordance with GRAP 9, *Revenue from exchange transactions*, which resulted in service charges being overstated by R2 603 051 (2016: R5 431 549). In addition, I was unable to obtain sufficient appropriate audit evidence

regarding service charges, due to an inadequate management, accounting and information system to account for revenue from exchange transactions and the filing system not functioning effectively. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to service charges stated at R17 597 140 (2016: R30 944 892) in note 20 to the financial statements was necessary.

#### Revenue from non – exchange transactions

6. The municipality did not have adequate systems in place to account for revenue from non-exchange transactions in accordance with GRAP 23, *Revenue from non- exchange transactions* as, which resulted in property rates being understated by R 45 134 449 (2016: R5 303 198) and government grants and subsidies being overstated by R20 918 397 (2016: R1 786 908). In addition, I was unable to obtain sufficient appropriate audit evidence regarding government grants and subsidies, due to an inadequate management, accounting and information system to account for revenue from non-exchange transactions and the filing system not functioning effectively. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to government grants and subsidies stated at R280 272 092 (2016: R301 747 854) in note 25 to the financial statements were necessary.

#### Expenditure

7. The municipality did not have adequate systems in place to account for general expenditure and contracted services in accordance with GRAP 1, *Presentation of financial statements*, which resulted in general expenditure being understated by R3 658 217 and contracted services being overstated by R2 141 646. In addition, I was unable to obtain sufficient appropriate audit evidence regarding general expenditure and contracted services, due to an inadequate management, accounting and information system to account for operating expenditure and the filing system not functioning effectively. Consequently, I was unable to determine whether any further adjustment to general expenditure stated at R28 338 535 (2016: R34 405 075) and contracted services stated at R37 561 857 (2016: R10 147 539) in note 35 and 32, respectively, to the financial statements were necessary.

#### Receivables from exchange transactions

8. The municipality did not have adequate systems in place to account for receivables from exchange transactions in accordance with GRAP 104, *Financial instruments*, which resulted in receivables from exchange transactions being overstated by R6 828 135 (2016: R5 518 503). In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of receivables from exchange. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments relating to receivables from exchange transactions stated at R44 737 887 (2016: R4 160 780) in note 5 to the financial statements.

#### Value-added tax (VAT) receivable

9. The municipality did not have adequate systems in place to account for VAT, which resulted in VAT being overstated by R225 484. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of VAT receivable. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment relating to VAT receivable stated at R22 268 455 (2016: R5 191 631) in the financial statements was necessary.

#### Receivables from non-exchange transactions

10. The municipality did not have adequate systems in place to account for receivables from non-exchange transactions in accordance with GRAP 104, *Financial instruments*, which resulted in receivables from non-exchange transactions being understated by R43 084 040 (2016: R7 847 124). In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of receivables from non-exchange transactions. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments relating to receivables from non-exchange transactions stated at R12 847 817 (2016: R6 395 103) in note 6 to the financial statements were necessary.

#### Unspent conditional grants

11. The municipality did not have adequate systems in place to account for unspent conditional grants in accordance with GRAP 1, *Presentation of financial statements*, which resulted in unspent conditional grants being understated by R21 332 126. In addition, I was unable to obtain sufficient appropriate audit evidence regarding unspent conditional grants, due to an inadequate management, accounting and information system to account for unspent conditional grants and the filing system not functioning effectively. Consequently, I was unable to determine whether any further adjustment to unspent conditional grants stated at R336 303 (2016: R381 030) in note 13 to the financial statements was necessary.

#### Payables from exchange transactions

12. The municipality did not have adequate systems in place to account for payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements*, which resulted in payables from exchange transactions being overstated by R2 019 360. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of payables from exchange transactions. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment relating to payables from exchange transactions stated at R58 932 949 (2016: R38 017 438) in note 10 to the financial statements was necessary.

#### Irregular expenditure

13. The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements resulting in irregular expenditure being understated in the current and previous year. I was unable to determine the full extent of the understatement as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence regarding

irregular expenditure due to the lack of evidence that management had properly identified, investigated and recorded all irregular expenditure transactions during the prior years and the lack of a proper system of internal control to support and account for and identify irregular expenditure. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment to irregular expenditure, disclosed at R88 719 822 (2016: R88 719 822) in note 47 to the financial statements was necessary.

#### Unauthorised expenditure

14. The municipality did not have adequate systems in place to account for unauthorised expenditure, as required by section 125(2)(d)(i) of the MFMA, which resulted in unauthorised expenditure being understated by R94 363 664. In addition, I was unable to obtain sufficient appropriate audit evidence regarding unauthorised expenditure due to the lack of evidence that management had properly identified, investigated and recorded all unauthorised expenditure transactions during the current and prior years. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to unauthorised expenditure stated at R447 868 454 (2016: R385 901 653) in note 45 to the financial statements was necessary.

#### Commitments

15. I was unable to obtain sufficient appropriate audit evidence for commitments due to the lack of a proper contract management system for the identification and recognition of contracts to enable me to quantify the commitments. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment to commitments stated at R40 269 070 (2016: R0) in note 38 to the financial statements was necessary.

#### Distribution losses

16. In terms of Section 125(2)(d)(i) of the MFMA requires that the annual financial statements of a municipality is required to disclose particulars of any distribution losses. No distribution losses were disclosed in the notes to the annual financial statements due to the municipality not implementing adequate control measures to reliably calculate these losses. In the absence of sufficient appropriate documents, I was unable to determine the total extent of the understatement in distribution losses.

#### Cash flow statement

17. During 2016, I was unable to obtain sufficient appropriate audit evidence related to cash flows from operating activities and cash flows from investing activities in the cash flow statement. This was due to underlying records not supporting calculations and differences identified between my calculations and amounts disclosed in the cash flow statements. I was unable to confirm these cash flow items by alternative means. Consequently, I was unable to determine whether any adjustment to these items, stated in the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2016 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

#### Going concern

18. I was unable to obtain sufficient appropriate audit evidence as to whether the municipality performed their going concern assessment. I was unable to confirm the information disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment to note 43 in the financial statements was necessary.

#### Emphasis of matter

19. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Restatement of corresponding figures

20. As disclosed in note 52 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered during 2016 in the financial statements of the Joe Morolong Local Municipality at, and for the year ended, 30 June 2017.

#### Other matter

21. I draw attention to the matter below. My opinion is not modified in respect of this matter

#### Unaudited disclosure notes

22. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon."

#### Responsibilities of the accounting officer for the financial statements

23. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
24. In preparing the financial statements, the accounting officer is responsible for assessing the Joe Morolong Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

#### Auditor-general's responsibilities for the audit of the financial statements

25. My responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.



26. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

### Report on the audit of the annual performance report

#### Introduction and scope

27. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
28. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
29. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2017:

Development priorities	Pages in the annual performance report
Strategic focus area 2 – Infrastructure and service delivery	x – x
Strategic focus area 3 – Land, housing and environment	x – x
Strategic focus area 4 – Social cluster	x – x

30. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
31. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:



## **Strategic focus area 2 – Infrastructure and service delivery**

### **Indicator: Number of villages to be refurbished**

32. The target as determined during planning for this indicator was not specific in clearly identifying the nature and required level of performance, as required by the FMPPI.

#### **Various indicators**

33. The indicators and related targets did not relate to the strategic objectives of coordination of the provision of electricity and provision of water which it aimed to achieve, as required by the FMPPI.

- Number of reports on queries attended to in Hotazel and Vanzylsrus
- Number of monitoring reports on the electrification and infills
- Number of villages to be refurbished

#### **Various indicators**

34. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the related targets for the indicators below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

- Number of internal roads upgraded
- Distance of roads maintained
- Number of dry sanitation units erected

### **Indicator: Number of villages having access to new water infrastructure**

35. The reported achievement for the target of 11 Practical completion certificates for water infrastructure constructed, submitted by the end of June 2017 was misstated as the evidence provided indicated that 3 completion certificates for water infrastructure constructed was submitted by the end of June 2017 and not “target not achieved” as reported.

## **Strategic focus area 3 – Land , housing and environment**

### **Various indicators**

36. The indicators and related targets did not relate to the strategic objectives of provision of housing, town and regional planning and provision of recreational facilities which it aimed to achieve, as required by the FMPPI.

- Number of reports on 100 low cost houses constructed
- Number of reports on applications (building plans and land development) and survey.
- Number of reports on households provided with refuse removal services in Hotazel and Vanzylsrus
- Number of reports on the construction of the community hall at Laxey
- Number of reports on coordination of Glenred landfill site establishment.
- Number of reports on the establishment of Hotazel landfill site
- Number of reports on recreational facilities maintained
- Number of reports on coordination of 4 recreational parks and Ba Ga Bareki Game farm establishment

#### **Various indicators**

37. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the related targets for the indicators below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

- Number of reports on 100 low cost houses constructed
- Number of reports on the construction of the community hall at Laxey
- Number of reports on recreational facilities maintained

#### **Strategic focus area 4 - Social cluster**

##### **Objective Empowerment of designated groups**

38. The strategic objective was reported as empowerment of designated groups under strategic focus area 5: community participation while the planned strategic objective was approved under strategic focus area 4: social cluster in the integrated development plan. This is not in line with the requirements of section 41(c) of the Municipal Systems Act 2000 (Act No. 32 of 2000).

#### **Various indicators**

39. The indicators and related targets did not relate to the strategic objectives of coordination of the provision of library services, upgrading of cemeteries and provision of traffic services, which it aimed to achieve, as required by the FMPPI.

- Number of reports on library services, business plan developed for the requisition for the funds of the library and MOU adopted by Council and submitted to Department of Sports, Arts and Culture
- Number of progress reports on the upgrading of cemeteries
- Number of Driving License Testing Centre (DLTC) constructed (phase 1)

**Indicator: Number of progress reports on the upgrading of cemeteries**

40. The reported achievement for the target of 3 progress reports on the upgrading of cemeteries in 6 villages by June 2017 was misstated as the evidence provided indicated that 3 progress reports for cemeteries were upgraded by June 2017 and not “target not achieved” as reported.

**Other matters**

41. I draw attention to the matters below.

**Achievement of planned targets**

42. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 31 - 39 of this report.

**Adjustment of material misstatements**

43. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of all development priorities as contained in the Integrated Development Plan. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

<b>Report on audit of compliance with legislation</b>
---

**Introduction and scope**

44. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
45. The material findings on compliance with specific matters in key legislations are as follows:

**Budgets**

46. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for the qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending on various votes in the budget.

Annual financial statements, performance reports and annual reports

47. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.
48. The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46 (1)(c) of the MSA.
49. The oversight report adopted by the council on the 2015/16 annual report was not made public, as required by section 129(3) of the MFMA.

#### Expenditure management

50. I could not obtain sufficient appropriate audit evidence that money owed by the municipality had always been paid within 30 days, as required by section 65(2)(e) of the MFMA.
51. An effective system of expenditure control, including procedures for the authorisation of funds, was not in place, as required by section 65(2)(a) of the MFMA.
52. Effective steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph.
53. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R2 470 763, as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by late payments for VAT, on overdue accounts from Eskom and for UIF, SDL and PAYE.

#### Revenue management

54. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
55. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
56. Accounts for municipal tax and charges for municipal service charges were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.
57. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

#### Asset management

58. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

#### Liability management

59. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.
60. Short-term debt, namely the bank overdraft, was incurred without a resolution of the council approving the debt agreement, in contravention of section 45(2)(a) of the MFMA.

#### Strategic planning and performance management

61. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.
62. KPIs were not set for the provision of basic electricity and solid waste removal services as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).
63. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, as required by municipal planning and performance management regulation 7(1).

#### Procurement and contract management

64. Sufficient appropriate audit evidence could not be obtained that some contracts and quotations were awarded in accordance with the legislative requirements due to poor record keeping by the municipality.
65. Some of the quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).
66. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
67. Competitive bids were not always evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services as required by SCM regulation 28(2).
68. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the prior year.
69. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43. Similar non-compliance was also reported in the prior year.
70. The preference point system was not applied for some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement

Policy Framework Act and Treasury Regulations 16A6.3(b). Similar non-compliance was also reported in the prior year.

- 71. The performance of all of the contractors or providers were not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
- 72. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.

#### Human resource management

- 73. An approved staff establishment was not in place, as required by section 66(1)(a) of the MSA.
- 74. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1)(d) of the MSA.

#### Consequence management

- 75. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- 76. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 77. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

#### Internal control deficiencies

- 78. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
- 79. Leadership did not sufficiently exercise its oversight responsibility over financial and performance reporting and compliance with laws and regulations and internal control.
- 80. Leadership did not implement effective human resource management to ensure that adequate and sufficiently skilled resources were in place and that performance was monitored.
- 81. Leadership did not adequately establish and communicate approved policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
- 82. Management did not adequately develop and monitor the implementation of action plans to address internal control deficiencies.



83. Management did not implement sufficient proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.
84. Management did not adequately implement controls over daily and monthly processing and reconciling of transactions.
85. Management did not sufficiently prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
86. Management did not adequately review and monitor compliance with applicable laws and regulations.
87. The municipality did not conduct adequate risk assessment as required by the MFMA. The municipality did not identify risks relating to the achievement of financial and performance reporting objectives. Consequently, controls were not developed to prevent, detect and correct material misstatements in financial reporting and reporting on predetermined objectives.
88. An internal audit and audit committee was not established for the financial year under review.

*Auditor General*

Kimberley



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## **Joe Morolong Local Municipality**

(Registration number NC 451) AUDITED ANNUAL  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017



# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

**Legal form of entity**

Municipality

**Nature of business and principal activities**

Joe Morolong Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)

## MAYORAL COMMITTEE

**Executive Mayor**

Councillor D Leutlwetse

Councillor M Sephekolo

Councillor P J Witbooi

Councillor V Jordan

Councillor L F Seikaneng

**Councillors**

Councillor L Kaebis

Councillor O H Kgopodithata

Councillor K P Mosegedi

Councillor S Segano

Councillor M Nhlapo

Councillor G Kaotsane

Councillor M Godisamang

Councillor L Gwai

Councillor N Morogong

Councillor S Dioka

Councillor O Gaobodiwe

Councillor N Mokweni

Councillor N Tswere

Councillor J Block

Councillor J Katong

Councillor G Sekokodie

Councillor K Modise

Councillor O Mokgautsi

Councillor T Sesing

Councillor O Matsioloko

Councillor O Earabang

Councillor S Mmolaeng

Councillor D Josop

Councillor I Matebese

## GRADING OF LOCAL AUTHORITY

2

**Accounting Officer**

T J Gopetse

**Chief Finance Officer (CFO)**

B D Motlhaping

## ACCOUNTING OFFICERS

Mr T J Gopetse

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

<b>Business address</b>	D320 Cardington Road Churchill Village  8474
<b>Auditors</b>	Auditor General of South Africa

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

The reports and statements set out below comprise the audited annual financial statements presented to the provincial legislature:

	PAGE
Accounting Officer's Responsibilities and Approval	5
Audit Committee Report	6
Accounting Officer's Report	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 14
Accounting Policies	15 - 47
Notes to the audited Annual Financial Statements	48 - 83

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSOG	Water Services Operating Subsidy Grant

### Relevant Legislation

Municipal Finance Management Act	(Act no 56 of 2003)
Division of Revenue Act	
The Income Tax Act	
Value Added Tax Act	
Municipal Structures Act	(Act no 117 of 1998)
Municipal Systems Act	(Act no 32 of 2000)
Municipal Planning and Performance Management Regulations	

---

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

Water Services Act	(Act no 108 of 1997)
Housing Act	(Act no 107 of 1997)
Municipal Property Rates Act	(Act no 6 of 2004)
Electricity Act	(Act no 41 of 1987)
Skills Development Levies Act	(Act no 9 of 1999)
Employment Equity Act	(Act no 55 of 1998)
Unemployment Insurance Act	(Act no 30 of 1966)
Basic Conditions of Employment Act	(Act no 75 of 1997)
Supply Chain Management Regulations	(2005)
SALGBC - Salary and Wage Collective Agreement	
Infrastructure Grants	
SALBC Leave Regulations	
Labour Relations Act	

# Joe Morolong Local Municipality

(Registration number NC 451)

## ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The Accounting Officer are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the audited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer have reviewed the municipality's cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's audited annual financial statements.

The audited annual financial statements set out on pages 7 to 83, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017 August 2016 and were signed on its behalf by:

### ACCOUNTING OFFICER

**Acting Municipal Manager**

**Joe Morolong Local Municipality**

**Thursday, August 31, 2017**

**Joe Morolong Local Municipality**

(Registration number NC 451)

---

# Joe Morolong Local Municipality

(Registration number NC 451)

## ACCOUNTING OFFICER'S REPORT

The accounting officers submit their report for the year ended June 30, 2017.

### 1. REVIEW OF ACTIVITIES

#### Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in joe morolong local municipality is local municipality performing functions as set out in the constitution (act no 105 of 1996). The municipality operates principally in South Africa and [state other countries].

The operating results and state of affairs of the municipality are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

### 2. GOING CONCERN

We draw attention to the fact that at June 30, 2017, the municipality had accumulated deficits of R 1,776,800,944 and that the municipality's total liabilities exceed its assets by R 1,776,800,944.

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officers continue to procure funding for the ongoing operations for the municipality and that the subordination agreement these audited annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

### 3. SUBSEQUENT EVENTS

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

### 4. ACCOUNTING OFFICER

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr. T.M. Bloom	South African	Resigned Sunday, April 30, 2017
Mr T J Gopetse	South African	Appointed Monday, May 1, 2017

### 5. Bankers

### 6. Auditors

Auditor General of South Africa will continue in office for the next financial period.



# Joe Morolong Local Municipality

(Registration number NC 451)

## Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	2,340,147	21,570,148
Inventories	4	1,301,004	2,427,047
Receivables from Exchange	5	44,737,887	4,160,780
Receivables from non-exchange transactions	6	12,847,817	6,395,103
VAT receivable	7	22,268,455	5,191,631
		<b>83,495,310</b>	<b>39,744,709</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	1,803,725,312	1,665,274,369
Intangible assets	9	414,390	535,819
		<b>1,804,139,702</b>	<b>1,665,810,188</b>
<b>Total Assets</b>		<b>1,887,635,012</b>	<b>1,705,554,897</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	58,932,949	38,017,438
Finance lease obligation	11	15,281,911	18,243,143
Unspent conditional grants and receipts	13	336,303	381,030
Consumer deposit	53	68,579	400
Other financial liabilities	14	371,562	784,454
Bonus SEC Provision	12	-	139,477
Employee benefit obligation	16	130,430	116,388
Bank overdraft	3	29,053,447	4,567,556
		<b>104,175,181</b>	<b>62,249,886</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	14	1,296,475	1,153,229
Finance lease obligation	11	-	13,866,194
Employee benefit obligation	16	1,438,762	1,273,325
Provisions	17	3,923,650	3,518,969
		<b>6,658,887</b>	<b>19,811,717</b>
<b>Total Liabilities</b>		<b>110,834,068</b>	<b>82,061,603</b>
<b>Net Assets</b>		<b>1,776,800,944</b>	<b>1,623,493,294</b>
Accumulated surplus	18	1,776,800,944	1,623,493,294

\* See Note 52 & 41

# Joe Morolong Local Municipality

(Registration number NC 451)

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	17,597,140	30,944,892
Miscellaneous Income		1,159,865	599,796
Rental of facilities and equipment	22	170,550	62,179
Interest from arrear accounts		11,010,893	7,337,104
Other income	23	479,462	2,389,079
Interest received - investment and Bank account	51	2,042,096	2,706,138
<b>Total revenue from exchange transactions</b>		<b>32,460,006</b>	<b>44,039,188</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	24,966,992	10,418,008
<b>Transfer revenue</b>			
Government grants & subsidies	25	280,272,092	301,747,854
<b>Total revenue from non-exchange transactions</b>		<b>305,239,084</b>	<b>312,165,862</b>
<b>Total revenue</b>	19	<b>337,699,090</b>	<b>356,205,050</b>
<b>Expenditure</b>			
Employee related costs	26	65,440,283	59,323,106
Remuneration of councillors	27	9,253,137	8,692,472
Depreciation and amortisation	34	15,271,276	57,117,989
Finance costs	28	3,057,438	3,663,842
Debt Impairment	29	-	58,544
Repairs and maintenance		1,953,353	2,168,080
Bulk purchases	31	11,017,753	10,095,492
Contracted services	32	37,561,857	10,147,539
Transfers and Subsidies	33	25,224,516	60,603,698
General Expenses	35	28,338,535	34,405,075
<b>Total expenditure</b>		<b>197,118,148</b>	<b>246,275,837</b>
<b>Operating surplus</b>		<b>140,580,942</b>	<b>109,929,213</b>
<b>Surplus for the year</b>		<b>140,580,942</b>	<b>109,929,213</b>

\* See Note 52 & 41

## Joe Morolong Local Municipality

(Registration number NC 451)

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,488,390,738	1,488,390,738
Adjustments		
Prior year adjustments	25,173,343	25,173,343
<b>Balance at July 1, 2015 as restated*</b>	<b>1,513,564,081</b>	<b>1,513,564,081</b>
Changes in net assets		
Surplus for the year	109,929,213	109,929,213
Total changes	109,929,213	109,929,213
<b>Restated* Balance at July 1, 2016</b>	<b>1,636,220,002</b>	<b>1,636,220,002</b>
Changes in net assets		
Surplus for the year	140,580,942	140,580,942
Total changes	140,580,942	140,580,942
<b>Balance at June 30, 2017</b>	<b>1,776,800,944</b>	<b>1,776,800,944</b>

\* See Note 52 & 41

# Joe Morolong Local Municipality

(Registration number NC 451)

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		6,235,207	14,868,337
Grants		280,272,092	271,261,899
Interest income		2,042,096	2,706,138
		<u>288,549,395</u>	<u>288,836,374</u>
<b>Payments</b>			
Employee costs		(74,693,420)	(68,015,578)
Suppliers		(80,621,749)	(74,821,312)
Finance costs		(3,057,438)	(3,663,842)
		<u>(158,372,607)</u>	<u>(146,500,732)</u>
<b>Net cash flows from operating activities</b>	37	<b>130,176,788</b>	<b>142,335,642</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(134,432,149)	(127,184,255)
Proceeds from sale of property, plant and equipment	8	-	482,194
Purchase of other intangible assets	9	(132,595)	(61,498)
<b>Net cash flows from investing activities</b>		<b>(134,564,744)</b>	<b>(126,763,559)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(269,646)	(649,424)
Finance lease payments		(16,827,426)	(14,692,633)
<b>Net cash flows from financing activities</b>		<b>(17,097,072)</b>	<b>(15,342,057)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(21,485,028)</b>	<b>230,026</b>
Cash and cash equivalents at the beginning of the year		(5,228,272)	16,772,566
<b>Cash and cash equivalents at the end of the year</b>	3	<b>(26,713,300)</b>	<b>17,002,592</b>

\* See Note 52 & 41

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

## Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

## STATEMENT OF FINANCIAL PERFORMANCE REVENUE

### Revenue from exchange transactions

Service charges	24,808,653	-	24,808,653	17,597,140	(7,211,513)	50
Royalty income	19,828	(19,828)	-	1,159,865	1,159,865	
Rental of facilities and equipment	149,802	-	149,802	170,550	20,748	
Miscellaneous other revenue	2,987,451	-	2,987,451	11,010,893	8,023,442	
Other income - (rollup)	723,108	-	723,108	479,462	(243,646)	50
Interest received - investment	596,520	-	596,520	2,042,096	1,445,576	50
<b>Total revenue from exchange transactions</b>	<b>29,285,362</b>	<b>(19,828)</b>	<b>29,265,534</b>	<b>32,460,006</b>	<b>3,194,472</b>	

### Revenue from non-exchange transactions

#### Taxation revenue

Property rates	12,862,568	-	12,862,568	24,966,992	12,104,424	50
----------------	------------	---	------------	------------	------------	----

#### Transfer revenue

Government grants & subsidies	277,110,317	-	277,110,317	280,272,092	3,161,775	50
-------------------------------	-------------	---	-------------	-------------	-----------	----

<b>Total revenue from non-exchange transactions</b>	<b>289,972,885</b>	<b>-</b>	<b>289,972,885</b>	<b>305,239,084</b>	<b>15,266,199</b>	
---	--------------------	----------	--------------------	--------------------	-------------------	--

<b>Total revenue</b>	<b>319,258,247</b>	<b>(19,828)</b>	<b>319,238,419</b>	<b>337,699,090</b>	<b>18,460,671</b>	
----------------------	--------------------	-----------------	--------------------	--------------------	-------------------	--

### Expenditure

Employee costs	(57,557,456)	-	(57,557,456)	(65,440,283)	(7,882,827)	
Remuneration of councillors	(10,014,706)	-	(10,014,706)	(9,253,137)	761,569	
Depreciation and asset impairment	(10,000,000)	10,000,000	-	(15,271,276)	(15,271,276)	
Finance costs	(818,995)	-	(818,995)	(3,057,438)	(2,238,443)	
Repairs and maintenance	(2,311,281)	-	(2,311,281)	(1,953,353)	357,928	
Bulk purchases	(12,084,959)	-	(12,084,959)	(11,017,753)	1,067,206	
Contracted Services	(9,449,680)	-	(9,449,680)	(37,561,857)	(28,112,177)	
Transfers and Subsidies	(163,152,790)	-	(163,152,790)	(25,224,516)	137,928,274	
Debt Impairment	(46,581,020)	-	(46,581,020)	(28,338,535)	18,242,485	

<b>Total expenditure</b>	<b>(311,970,887)</b>	<b>10,000,000</b>	<b>(301,970,887)</b>	<b>(197,118,148)</b>	<b>104,852,739</b>	
--------------------------	----------------------	-------------------	----------------------	----------------------	--------------------	--

<b>Surplus before taxation</b>	<b>7,287,360</b>	<b>9,980,172</b>	<b>17,267,532</b>	<b>140,580,942</b>	<b>123,313,410</b>	
--------------------------------	------------------	------------------	-------------------	--------------------	--------------------	--

<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>7,287,360</b>	<b>9,980,172</b>	<b>17,267,532</b>	<b>140,580,942</b>	<b>123,313,410</b>	
--	------------------	------------------	-------------------	--------------------	--------------------	--

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

## Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

## Statement of Financial Position

### Assets

#### Current Assets

Inventories	2,550,000	-	2,550,000	1,301,004	(1,248,996)	50
VAT receivable	-	-	-	22,268,455	22,268,455	50
Consumer debtors	5,155,259	-	5,155,259	44,737,887	39,582,628	50
Cash and cash equivalents	10,258,335	7,889,066	18,147,401	2,340,147	(15,807,254)	50
	<b>17,963,594</b>	<b>7,889,066</b>	<b>25,852,660</b>	<b>70,647,493</b>	<b>44,794,833</b>	

#### Non-Current Assets

Property, plant and equipment	1,644,189,398	-	1,644,189,398	1,803,725,312	159,535,914	
Intangible assets	400,000	(300,000)	100,000	414,390	314,390	
Receivables from non-exchange transactions	-	-	-	53,844,831	53,844,831	
	<b>1,644,589,398</b>	<b>(300,000)</b>	<b>1,644,289,398</b>	<b>1,857,984,533</b>	<b>213,695,135</b>	

<b>Total Assets</b>	<b>1,662,552,992</b>	<b>7,589,066</b>	<b>1,670,142,058</b>	<b>1,928,632,026</b>	<b>258,489,968</b>	
---------------------	----------------------	------------------	----------------------	----------------------	--------------------	--

### Liabilities

#### Current Liabilities

Other financial liabilities	784,402	-	784,402	371,562	(412,840)	50
Finance lease obligation	-	-	-	15,281,911	15,281,911	
Payables from exchange transactions	13,740,219	-	13,740,219	59,001,530	45,261,311	50
Employee benefit obligation	-	-	-	130,430	130,430	
Unspent conditional grants and receipts	-	-	-	336,303	336,303	
Bank overdraft	-	-	-	29,053,447	29,053,447	
	<b>14,524,621</b>	<b>-</b>	<b>14,524,621</b>	<b>104,175,183</b>	<b>89,650,562</b>	

#### Non-Current Liabilities

Other financial liabilities	2,124,000	-	2,124,000	1,296,475	(827,525)	
Employee benefit obligation	-	-	-	1,438,762	1,438,762	
Provisions	1,710,209	-	1,710,209	3,923,650	2,213,441	
	<b>3,834,209</b>	<b>-</b>	<b>3,834,209</b>	<b>6,658,887</b>	<b>2,824,678</b>	

<b>Total Liabilities</b>	<b>18,358,830</b>	<b>-</b>	<b>18,358,830</b>	<b>110,834,070</b>	<b>92,475,240</b>	
--------------------------	-------------------	----------	-------------------	--------------------	-------------------	--

<b>Net Assets</b>	<b>1,644,194,162</b>	<b>7,589,066</b>	<b>1,651,783,228</b>	<b>1,817,797,956</b>	<b>166,014,728</b>	
-------------------	----------------------	------------------	----------------------	----------------------	--------------------	--

### Net Assets

#### Net Assets Attributable to Owners of Controlling Entity

#### Reserves

Accumulated surplus	1,644,194,162	7,589,066	1,651,783,228	1,776,800,946	125,017,718	
---------------------	---------------	-----------	---------------	---------------	-------------	--

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

### CASH FLOW STATEMENT

#### Cash flows from operating activities

##### Receipts

Property rates, penalties & collection charges	10,933,183	-	10,933,183	-	(10,933,183)
Service charges	21,087,356	-	21,087,356	-	(21,087,356)
Grants	262,492,000	17,038,442	279,530,442	-	(279,530,442)
Interest income	42,500	-	42,500	-	(42,500)
Other revenue	1,221,160	-	1,221,160	-	(1,221,160)
	<b>295,776,199</b>	<b>17,038,442</b>	<b>312,814,641</b>	-	<b>(312,814,641)</b>

##### Payments

Suppliers and employees	(97,266,484)	-	(97,266,484)	-	97,266,484
Transfers and grants	(39,528,523)	-	(39,528,523)	-	39,528,523
Finance costs	(943,402)	34,593	(908,809)	-	908,809
	<b>(137,738,409)</b>	<b>34,593</b>	<b>(137,703,816)</b>	-	<b>137,703,816</b>

<b>Net cash flows from operating activities</b>	<b>158,037,790</b>	<b>17,073,035</b>	<b>175,110,825</b>	-	<b>(175,110,825)</b>
---	--------------------	-------------------	--------------------	---	----------------------

#### Cash flows from investing activities

Purchase of property, plant and equipment	(137,325,764)	(12,342,179)	(149,667,943)	-	149,667,943
Repayment of loans from economic entities	(784,402)	-	(784,402)	-	784,402

<b>Net cash flows from investing activities</b>	<b>(138,110,166)</b>	<b>(12,342,179)</b>	<b>(150,452,345)</b>	-	<b>150,452,345</b>
---	----------------------	---------------------	----------------------	---	--------------------

Net increase/(decrease) in cash and cash equivalents	19,927,624	4,730,856	24,658,480	-	(24,658,480)
--	------------	-----------	------------	---	--------------

Cash and cash equivalents at the beginning of the year	2,054,712	-	2,054,712	-	(2,054,712)
--	-----------	---	-----------	---	-------------

<b>Cash and cash equivalents at the end of the year</b>	<b>21,982,336</b>	<b>4,730,856</b>	<b>26,713,192</b>	-	<b>(26,713,192)</b>
---	-------------------	------------------	-------------------	---	---------------------

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 PRESENTATION CURRENCY

These audited annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

### 1.2 GOING CONCERN ASSUMPTION

These audited annual financial statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

### 1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. Significant judgements include:

## TRADE RECEIVABLES / HELD TO MATURITY INVESTMENTS AND/OR LOANS AND RECEIVABLES

The Municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

## ALLOWANCE FOR SLOW MOVING, DAMAGED AND OBSOLETE STOCK

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

## IMPAIRMENT TESTING

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.



# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

## PROVISIONS

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 13 CONSOLIDATION (CONTINUED)

### Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

## USEFUL LIVES AND RESIDUAL VALUES

The Municipality reassesses the useful lives and residual values of property, plant and equipment, investment property and intangible assets on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment, investment property and intangible assets management considers the condition and use of the individual assets, and base it on industry knowledge, to determine the remaining period over which the asset can and will be used and the residual value.

## POST RETIREMENT BENEFITS

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

## EFFECTIVE INTEREST RATE

The Municipality used the prime interest rate to discount future cash flows.

## ALLOWANCE FOR DOUBTFUL DEBTS

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

## LONG SERVICE AWARDS

The long service awards liability arises from the municipality being a party to the Collective Agreement on Conditions of Service for Northern Cape Division of SALGBC. The long service awards plan is a defined benefit plan accounted for in terms of GRAP

## 14 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

The cost of an item of Property, Plant and Equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the Municipality; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Where an item of Property, Plant and Equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Costs include costs incurred initially to acquire or construct an item of Property, Plant and Equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of Property, Plant and Equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of Property, Plant and Equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of Property, Plant and Equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, Plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of Property, Plant and Equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of Property, Plant and Equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of Property, Plant and Equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of Property, Plant and Equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

### 1.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of Property, Plant and Equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	25-30
Improvements	Straight line	25-30
Specialized plant and equipment	Straight line	10-15
Other plant and machinery	Straight line	2-15
Office equipment	Straight line	3-15
Furniture and fittings	Straight line	5-15
Motor Vehicles-Specialized	Straight line	10-15
Motor vehicle-other	Straight line	5-15
Roads and paving	Straight line	10-100
Pedestrian malls	Straight line	15-30
Electricity	Straight line	10-100
Community facilities	Straight line	15-30
Recreational facilities	Straight line	15-30
Leased asset	Straight line	3-5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Municipality assesses at each reporting date whether there is any indication that the Municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the Municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the Cash Flow Statement.

The Municipality separately discloses expenditure to repair and maintain Property, Plant and Equipment in the notes to the financial statements (see note 30).

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

## 15 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality; and
- the cost or fair value of the asset can be measured reliably.

The Municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these Intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other Intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

## 15 INTANGIBLE ASSETS (CONTINUED)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as Intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the Intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

## 16 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

### 1.6 FINANCIAL INSTRUMENTS

#### (CONTINUED) CLASSIFICATION

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

CLASS	CATEGORY
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

CLASS	CATEGORY
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

#### INITIAL RECOGNITION

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

#### INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The Municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the Municipality analyses a concessionary loan into its component parts and accounts for each component separately. The Municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.



# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.6 FINANCIAL INSTRUMENTS (CONTINUED)

### Subsequent measurement of financial assets and financial liabilities Financial assets

Held-to-maturity investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest rate method less any impairment, with interest recognised on an effective yield basis.

Financial assets at fair value are initially and subsequently, at the end of each financial year, measured at fair value with the gain or loss being recognised in the statement of financial performance.

Available-for-sale assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

## FINANCIAL LIABILITIES

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the statement of financial performance.

Financial liabilities held at amortised cost are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the statement of financial performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

## FAIR VALUE MEASUREMENT CONSIDERATIONS

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an Municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

AVAILABLE-FOR-SALE
FINANCIAL ASSETS GAINS
AND LOSSES

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

### 1.6 FINANCIAL INSTRUMENTS (CONTINUED)

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

## 1.6 FINANCIAL INSTRUMENTS

### (CONTINUED) IMPAIRMENT AND

### UNCOLLECTIBILITY OF FINANCIAL ASSETS

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the statement of financial performance even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from net assets and recognised in the statement of financial performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in statement of financial performance. Impairment losses recognised in the statement of financial performance for an investment in an equity instrument classified as available-for-sale are not reversed through the statement of financial performance.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the statement of financial performance, the impairment loss must be reversed, with the amount of the reversal recognised in the statement of financial performance.

### FINANCIAL ASSETS CARRIED AT AMORTISED COST

Accounts receivable encompass long-term debtors, consumer debtors and other debtors.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

An allowance for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to shortterm receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.6 FINANCIAL INSTRUMENTS

### (CONTINUED) DERECOGNITION

#### Financial assets

The Municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

If a transfer does not result in derecognition because the Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

## FINANCIAL LIABILITIES

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The municipality transfers a financial asset if either it transfers the contractual rights to receive the cash flows of the financial asset or it retains the contractual rights to receive the cash flows of the financial asset.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the statement of financial performance.

## PRESENTATION

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the Municipality directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality does not offset the transferred asset and the associated liability.

**Joe Morolong Local Municipality**

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

**1.7 STATUTORY**

RECEIVABLES

IDENTIFICATION

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.7 Statutory receivables (continued)

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

## RECOGNITION

The Municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

## INITIAL MEASUREMENT

The Municipality initially measures statutory receivables at their transaction amount.

## SUBSEQUENT MEASUREMENT

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

## DERECOGNITION

The Municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.8 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.



# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 18 LEASES (CONTINUED)

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### FINANCE LEASES - LESSEE

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Any contingent rents are expensed in the period in which they are incurred.

### OPERATING LEASES - LESSOR

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

### OPERATING LEASES - LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 19 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the Municipality incurs to acquire the asset on the reporting date.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 19 INVENTORIES (CONTINUED)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the Municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs

### SUBSEQUENT MEASUREMENT

#### Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

### WATER INVENTORY

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the first-in-first-out method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

### UNSOLD PROPERTIES

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

### OTHER ARRANGEMENTS

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any writedown of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed,

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.10 CONSTRUCTION CONTRACTS AND RECEIVABLES

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.10 CONSTRUCTION CONTRACTS AND RECEIVABLES (CONTINUED)

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

## 1.11 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the Municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the Municipality.

Criteria developed by the Municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.11 IMPAIRMENT OF CASH-GENERATING

### ASSETS (CONTINUED) IDENTIFICATION

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of a cash-generating asset is the higher of its fair value less costs to sell and its value in use.

### VALUE IN USE

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Municipality applies the appropriate discount rate to those future cash flows.

### BASIS FOR ESTIMATES OF FUTURE CASH FLOWS

In measuring value in use the Municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

### DISCOUNT RATE

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.11 IMPAIRMENT OF CASH-GENERATING

### ASSETS (CONTINUED) RECOGNITION AND

### MEASUREMENT (INDIVIDUAL ASSET)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## CASH-GENERATING UNITS

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the Municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.11 IMPAIRMENT OF CASH-GENERATING

### ASSETS (CONTINUED) REVERSAL OF

#### IMPAIRMENT LOSS

The Municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

## 1.12 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.



**Joe Morolong Local Municipality**

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

## 1.12 INTANGIBLE ASSETS (CONTINUED)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the Municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the Municipality.

Criteria developed by the Municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

### IDENTIFICATION

The Municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined. The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

### RECOGNITION AND MEASUREMENT

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### REVERSAL OF AN IMPAIRMENT LOSS

The Municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.13 SHARE CAPITAL / CONTRIBUTED CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

## 1.14 EMPLOYEE BENEFITS

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.14 INVESTMENTS IN CONTROLLED

### ENTITIES (CONTINUED) POST-

### EMPLOYMENT BENEFITS

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an Municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

### POST-EMPLOYMENT BENEFITS: DEFINED BENEFIT PLANS

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The Municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.14 INVESTMENTS IN CONTROLLED

### ENTITIES (CONTINUED) ACTUARIAL

#### ASSUMPTIONS

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

## OTHER POST RETIREMENT OBLIGATIONS

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The Municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

## 1.15 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the Municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

- 
- a reliable estimate can be made of the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

### 1.15 INTEREST IN JOINT VENTURES (CONTINUED)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The Municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the Municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the Municipality considers that an outflow of economic resources is probable, an Municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

### 1.15 INTEREST IN JOINT VENTURES

#### (CONTINUED) PROVISIONS FOR RESTRUCTURING COSTS

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- The business or part of a business concerned;
  - The principal locations affected;
  - The location, function, and approximate number of employees who will be compensated for terminating their services
- The expenditures that will be undertaken; and
- When the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### PREPAID WATER AND ELECTRICITY

Revenue from the sale of water and electricity prepaid meter cards are recognised at the point of sale.

### 1.16 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.17 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.17 REVENUE FROM EXCHANGE

### TRANSACTIONS (CONTINUED) SALE OF

#### GOODS

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### SERVICE CHARGES

Service charges are levied in terms of approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

#### INTEREST, ROYALTIES AND DIVIDENDS

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the Municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

## 1.18 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an Municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the Municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.18 STATUTORY RECEIVABLES (CONTINUED)

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an Municipality either receives value from another Municipality without directly giving approximately equal value in exchange, or gives value to another Municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting Municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

## RECOGNITION

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

## MEASUREMENT

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipality.

When, as a result of a non-exchange transaction, the Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.18 STATUTORY RECEIVABLES

### (CONTINUED) TAXES

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the Municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The Municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

## TRANSFERS

Apart from Services in kind, which are not recognised, the Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

## FINES

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Where the Municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

## PUBLIC CONTRIBUTIONS

Requests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality, and the fair value of the assets can be measured reliably.

## OTHER DONATIONS AND CONTRIBUTIONS

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.18 STATUTORY RECEIVABLES (CONTINUED)

### Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Except for financial guarantee contracts, the Municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the Municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the Municipality disclose the nature and type of services in-kind received during the reporting period.

## 1.19 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

## 1.20 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

## 1.21 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## 1.22 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## 1.23 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.24 BUDGET INFORMATION

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by Municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

The audited annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the audited annual financial statements. Refer to note .

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 125 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. The municipality regards all individuals at senior management as key management per the definition of the financial reporting standard.

Close members of the family of key management personnel are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

## 126 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## 127 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## 128 INVESTMENTS

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

## 128 INVESTMENTS (CONTINUED)

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

## 129 BUDGET INFORMATION

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

## 130 GOVERNMENT GRANTS AND RECEIPTS

Government grants and receipts are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance.

Revenue comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

## 131 VALUE ADDED TAX (VAT)

The municipality accounts for value added tax on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services except where the suppliers are specifically zero rated in terms of section 11, exempt in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for VAT on a monthly basis.



# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

---

Interest earned on investments is recognised in the statement of financial performance on the time-proportionate basis that takes into account the effective yield on the investment.

## RENTALS RECEIVED

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

## DIVIDENDS

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

## TARIFF CHARGES

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant advertised tariff. This includes the issuing of licences and permits.

## REVENUE FROM AGENCY SERVICES

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

## SALE OF GOODS (INCLUDING HOUSES)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 1.32 EVENTS AFTER REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in notes to the annual financial statements.

### 1.33 COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

- 
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
  - Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
  - Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

## 134 CHANGE IN ACCOUNTING ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

## 135 INVESTMENT PROPERTY

Investment Property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment Property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the Investment Property will flow to the Municipality, and the cost or fair value of the Investment Property can be measured reliably.

Investment Property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where Investment Property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the Investment Property, the carrying amount of the replaced part is derecognised.

## COST MODEL

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

ITEM	USEFUL LIFE
Property - land	indefinite

Compensation from third parties for Investment Property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as Investment Property in the following circumstances:

When classification is difficult, the criteria used to distinguish Investment Property from owner-occupied property and from

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

---

## 1.35 INVESTMENT PROPERTY (CONTINUED)

The Municipality separately discloses expenditure to repair and maintain Investment Property in the notes to the audited annual financial statements (see note ).

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note ).

Joe Morolong Local Municipality

(Registration number NC 451)

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016
-----------------	------	------

# Joe Morolong Local Municipality

(Registration number NC 451)

## Notes to the audited Annual Financial Statements

---

### 2. NEW STANDARDS AND INTERPRETATIONS

#### 21 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE:	EXPECTED IMPACT:
	Years beginning on or after	
<ul style="list-style-type: none"><li>GRAP 108: Statutory Receivables</li></ul>	April 1, 2016	
<ul style="list-style-type: none"><li>GRAP 32: Service Concession Arrangements: Grantor</li></ul>	April 1, 2016	
<ul style="list-style-type: none"><li>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li></ul>	April 1, 2016	

# Joe Morolong Local Municipality

(Registration number NC 451)

## Notes to the audited Annual Financial Statements

### 2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

#### 22 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE:	Expected impact:
	Years beginning on or after	

#### 23 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE:	Expected impact:
	Years beginning on or after	
• GRAP 34: Separate Financial Statements	April 1, 2009	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	April 1, 2009	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	April 1, 2009	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	April 1, 2009	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	April 1, 2009	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	April 1, 2009	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	April 1, 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	April 1, 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	April 1, 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	April 1, 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	April 1, 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	April 1, 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	April 1, 2018	Unlikely there will be a material impact



Joe Morolong Local Municipality

(Registration Amendment 2016): Property, Plant and Equipment	April 1, 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	April 1, 2018	Unlikely there will be a material impact
<b>Notes to the audited Annual Financial Statements</b>		
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2018	Unlikely there will be a material impact

# Joe Morolong Local Municipality

(Registration number NC 451)

## Notes to the audited Annual Financial Statements

---

### 2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

#### 24 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after July 1, 2017 or later periods but are not relevant to its operations:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE:	Expected impact:
	Years beginning on or after	

#### Income statement for the year June 30, 2018

The changes in the new standards and interpretations resulted in a decrease in basic earnings per share and diluted earnings per share as follows:

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Short-term deposits	2,340,147	21,570,148
Bank overdraft	(29,053,447)	(4,567,556)

(26,713,300) 17,002,592

Current assets	2,340,147	21,570,148
Current liabilities	(29,053,447)	(4,567,556)

(26,713,300) 17,002,592

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
ABSA Bank Limited 4054385292	879,248	587,374	1,059,615	879,248	21,081	1,047,359
Standard Bank-Primary account bank- 302854185	(93,406)	954,381	1,444,403	(93,403)	-	(17,170,605)
Short term investments	-	-	-	-	-	-
ABSA Bank Limited-Call account- 9288820487	278,765	261,528	246,131	-	-	-
First National Bank-Call Deposit- 62247117709	119,324	111,970	105,862	-	-	246,131
ABSA Bank Limited- Fixed deposit- 2073969801	34,628	32,872	31,135	-	-	-
ABSA Bank Limited- Depositor plus 9297200038	261,810	244,913	230,838	-	-	-
Standard Bank- Money Market call account- 548529973 003	81,467	76,735	72,414	-	-	-
Nedbank- Call deposit- 7881112840	1,093,663	20,836,800	-	-	-	-
Standard Bank- 548529973 002	5,465	-	-	-	-	-
Standard Bank- 508866243- 012CSC- JOHANNES 069	465,040	-	-	-	-	-
<b>Total</b>	<b>3,126,004</b>	<b>23,106,573</b>	<b>3,190,398</b>	<b>785,845</b>	<b>21,081</b>	<b>(15,877,115)</b>

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>4. Inventories</b>		
Consumable stores	1,301,004	2,427,047
<b>Inventory pledged as security</b>		
No Inventory was pledged as security		
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	6,411,465	5,015,397
Water	55,239,238	40,725,383
Sewerage	5,379,422	24,386,474
Refuse	3,529,839	2,400,371
Service debtors	64,158,279	21,613,511
	<b>134,718,243</b>	<b>94,141,136</b>
<b>Less: Allowance for impairment</b>		
Electricity	(3,920,167)	(3,920,167)
Waste water	(38,218,281)	(38,218,281)
Sewerage	(22,837,200)	(22,837,200)
Refuse	(2,059,637)	(2,059,637)
Service debtors	(22,945,071)	(22,945,071)
	<b>(89,980,356)</b>	<b>(89,980,356)</b>
<b>Net balance</b>		
Electricity	2,491,298	1,095,230
Waste water	17,020,957	2,507,102
Sewerage	(17,457,778)	1,549,274
Refuse	1,470,202	340,734
Service debtors	41,213,208	(1,331,560)
	<b>44,737,887</b>	<b>4,160,780</b>
<b>Electricity</b>		
Current (0 -30 days)	301,438	130,873
31 - 60 days	91,989	54,731
61 - 90 days	137,420	169,270
91 - 120 days	196,593	131,830
121 - 365 days	1,763,858	608,526
	<b>2,491,298</b>	<b>1,095,230</b>
<b>Water</b>		
Current (0 -30 days)	2,025,423	824,730
31 - 60 days	1,605,696	775,675
61 - 90 days	1,612,592	906,697
91 - 120 days	1,454,320	-
121 - 365 days	10,322,926	-
	<b>17,020,957</b>	<b>2,507,102</b>

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	-	204,314
31 - 60 days	-	182,329
61 - 90 days	-	179,489
91 - 120 days	-	176,599
121 - 365 days	-	806,543
	-	<b>1,549,274</b>
<b>Refuse</b>		
Current (0 -30 days)	138,612	120,983
31 - 60 days	131,291	107,469
61 - 90 days	128,862	105,698
91 - 120 days	126,645	6,584
121 - 365 days	944,792	-
	<b>1,470,202</b>	<b>340,734</b>
<b>Sundry debtors</b>		
Current (0 -30 days)	202,764	-
31 - 60 days	560,868	-
61 - 90 days	52,320	-
91 - 120 days	45,431	-
121 - 365 days	40,351,825	-
	<b>41,213,208</b>	-

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Household</b>		
Current (0 -30 days)	2,897,808	2,162,979
31 - 60 days	2,733,321	1,236,795
61 - 90 days	2,236,266	1,606,959
91 - 120 days	9,137,731	4,208,300
121 - 365 days	11,614,439	20,581,839
	<b>28,619,565</b>	<b>29,796,872</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	1,533,264	1,016,759
31 - 60 days	804,456	582,680
61 - 90 days	831,435	830,624
91 - 120 days	6,041,836	672,126
121 - 365 days	21,989,133	9,237,198
	<b>31,200,124</b>	<b>12,339,387</b>
<b>National and provincial government</b>		
Current (0 -30 days)	140,040	130,312
31 - 60 days	128,555	38,864
61 - 90 days	127,597	59,718
91 - 120 days	2,592,319	42,436
121 - 365 days	4,580,717	5,319,546
	<b>7,569,228</b>	<b>5,590,876</b>
<b>Total</b>		
Current (0 -30 days)	4,574,601	3,527,264
31 - 60 days	3,670,410	1,937,391
61 - 90 days	3,198,567	2,591,282
91 - 120 days	17,792,656	5,002,409
121 - 365 days	38,338,853	70,272,436
	67,575,087	83,330,782
Less: Allowance for impairment	(22,837,200)	(79,170,002)
	<b>44,737,887</b>	<b>4,160,780</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(67,143,156)	(31,414,098)
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(67,143,156)	(31,414,098)
Debt impairment written off against allowance	(22,837,200)	(58,566,258)
	<b>(89,980,356)</b>	<b>(89,980,356)</b>

## Consumer debtors pledged as security

No receivables from exchange transactions have been pledged as security..

## Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>6. Receivables from non-exchange</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	53,844,831	26,788,373
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(40,997,014)	(20,393,270)
<b>Net balance</b>		
Consumer debtors - Rates	12,847,817	6,395,103
<b>Rates</b>		
Current (0 -30 days)	1,669,944	1,942,091
31 - 60 days	1,054,040	776,320
61 - 90 days	1,045,134	773,661
91 - 120 days	9,078,699	2,903,031
	<b>12,847,817</b>	<b>6,395,103</b>
<b>7. VAT receivable</b>		
VAT	22,268,455	5,191,631

## 8. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community	139,275,425	(33,655,262)	105,620,163	139,275,425	(28,814,704)	110,460,721
Computer equipment	3,083,209	(2,155,292)	927,917	2,526,533	(1,724,564)	801,969
Furniture and fixtures	2,737,267	(2,103,511)	633,756	2,392,587	(1,897,140)	495,447
Infrastructure	1,671,894,050	(187,491,768)	1,484,402,282	1,581,227,189	(237,474,790)	1,343,752,399
Land	7,169,289	-	7,169,289	7,169,290	-	7,169,290
Motor vehicles	2,367,553	(1,352,709)	1,014,844	2,367,552	(825,698)	1,541,854
Finance leased asset	46,868,252	(14,019,731)	32,848,521	46,868,252	(5,630,104)	41,238,148
Other property, plant and equipment	3,178,464	(1,883,199)	1,295,265	2,919,223	(1,469,212)	1,450,011
Work in progress - Infrastructure	169,813,275	-	169,813,275	158,364,530	-	158,364,530
<b>Total</b>	<b>2,046,386,784</b>	<b>(242,661,472)</b>	<b>1,803,725,312</b>	<b>1,943,110,581</b>	<b>(277,836,212)</b>	<b>1,665,274,369</b>

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers received	Depreciation	Total
Community	110,460,721	-	-	(4,840,558)	105,620,163
Computer equipment	801,969	556,676	-	(430,728)	927,917
Furniture and fixtures	495,447	344,680	-	(206,371)	633,756
Infrastructure	1,343,752,399	430,684	182,933,507	(42,714,308)	1,484,402,282
Land	7,169,290	(1)	-	-	7,169,289
Motor vehicles	1,541,854	-	-	(527,010)	1,014,844
Other leased Assets # 1	41,238,148	-	-	(8,389,627)	32,848,521
Other property, plant and equipment	1,450,011	259,241	-	(413,987)	1,295,265
Work in progress	1,602,017	105,463,121	-	-	107,065,138
	<b>1,508,511,856</b>	<b>107,054,401</b>	<b>182,933,507</b>	<b>(57,522,589)</b>	<b>1,740,977,175</b>

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Community	110,605,509	-	(144,788)	110,460,721
Computer equipment	807,596	-	(5,627)	801,969
Furniture and fixtures	579,549	-	(84,102)	495,447
Infrastructure	909,897,581	433,854,818	-	1,343,752,399
Land	7,169,290	-	-	7,169,290
Motor vehicles	4,671,873	-	(3,130,019)	1,541,854
Other leased Assets # 1	-	46,802,970	(5,564,822)	41,238,148
Other property, plant and equipment	2,159,867	-	(709,856)	1,450,011
Work in progress	192,377,999	2,315,320	(36,328,789)	158,364,530
	<b>1,228,269,264</b>	<b>482,973,108</b>	<b>(45,968,003)</b>	<b>1,665,274,369</b>

#### Pledged as security

The municipality did not pledge any of its assets as security.

All property, plant and equipment is being fully utilised by the municipality. There is therefore no idle property, plant and equipment.

The carrying amount of property, plant and equipment does not materially differ to the fair value of the disclosed property, plant and equipment.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### ASSETS SUBJECT TO FINANCE LEASE (NET CARRYING AMOUNT)

Other leased Assets # 1	32,848,521	41,238,148
-------------------------	------------	------------

#### RECONCILIATION OF WORK-IN-PROGRESS

##### 2017 RECONCILIATION OF WORK-IN-

##### PROGRESS 2016



## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 9. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	964,595	(550,205)	414,390	832,000	(296,181)	535,819

#### RECONCILIATION OF INTANGIBLE ASSETS - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	535,819	132,595	(254,024)	414,390

#### RECONCILIATION OF INTANGIBLE ASSETS - 2016

	Opening balance	Additions	Total
Computer software	474,321	61,498	535,819

### 10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	3,626,584	3,131,305
Accrued expense	5,422,331	4,523,669
Retention fees	17,905,396	12,906,171
Accrued leave pay	3,834,176	2,791,490
Unallocated deposits	-	11,981
Sundry deposits	668,935	668,935
Other payables	14,924,290	2,868,846
Debtors with credit balances	9,561,018	9,988,627
13th Cheque	2,489,542	1,126,414
Other Creditors #6	500,677	-

58,932,949 38,017,438

#### Other payables

Bonus PAYE-section 57	-	139,477
-----------------------	---	---------

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>11. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	13,964,463	-
Non-current liabilities	-	13,866,194
Current liabilities	15,281,911	18,243,143
	<b>15,281,911</b>	<b>32,109,337</b>

It is Municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 24% (2015: -%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The Municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

## DEFAULTS AND BREACHES

There were no defaults and breaches in the current financial year noted.

## MARKET RISK

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	13,964,463	32,109,337
------	------------	------------

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

## 12 BONUS SEC 57

Unallocated receipts	-	139,477
----------------------	---	---------

The amount of liabilities forgiven is R - (2016: R -).

## 13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

In the current year the municipality have unspent conditional grants in Library grant, Finance Management Grant and EPWP .

**Unspent conditional grants and receipts comprises of:**

<b>Unspent conditional grants and receipts</b>		
Library Grant,FMG and EPWP	336,303	381,030

### Movement during the year

Balance at the beginning of the year	381,030	-
Additions during the year-EPWP and FMG	76,687	381,030
Income recognition during the year	(121,414)	-

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

336,303	381,030
---------	---------

See note 25 for reconciliation of grants from National/Provincial Government. Municipality did not spend all money received in Library, FMB and EPWP .

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>14. Long-term liabilities</b>		
<b>At amortised cost</b>		
Development Bank of South Africa- Short term portion	371,562	784,454
Loan number:	101251/1	
Starting date:	01/07/2007	
Redemption date:	30/06/2017	
Capital and Interest repayment frequency:	6 Months	
Interest rate:	1.000% (Fixed)	
Development Bank of South Africa	1,296,475	1,153,229
Loan number:	101797/1	
Starting date:	01/07/2011	
Redemption date:	30/06/2027	
Capital and Interest repayment frequency:	6 Months	
Interest rate:	8.848% (Fixed)	
	<b>1,668,037</b>	<b>1,937,683</b>
<b>Total other financial liabilities</b>	<b>1,668,037</b>	<b>1,937,683</b>
<b>Non-current liabilities</b>		
At amortised cost	1,296,475	1,153,229
<b>Current liabilities</b>		
At amortised cost	371,562	784,454
<b>15. VAT payable</b>		
<b>16. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(1,569,192)	(1,389,713)
Non-current liabilities	(1,438,762)	(1,273,325)
Current liabilities	(130,430)	(116,388)
	<b>(1,569,192)</b>	<b>(1,389,713)</b>
[Provide a brief description of the link between the reimbursement right(s) and the related obligation]		
The fair value of plan assets includes:		
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	1,389,713	-
Assumed in an entity combination	-	1,389,713
Net expense recognised in the statement of financial performance	179,479	-
	<b>1,569,192</b>	<b>1,389,713</b>

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

## 16. Employee benefit obligations (continued)

### Net expense recognised in the statement of financial performance

Current service cost	224,027	-
Interest cost	113,944	-
Actuarial (gains) losses	(42,104)	-
Settlement	(116,388)	-
	<b>179,479</b>	<b>-</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.44 %	- %
Expected increase in salaries	6.26 %	- %
Net effective discount rate	2.05 %	- %

The salaries used in the valuation include an assumed increase on 1 July 2017 of 7.36% as per the SALGBC Circular No.:02/2017. The next salary increase was assumed to take place on 1 July 2018.

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

## DEFINED CONTRIBUTION PLAN

It is the policy of the municipality to provide retirement benefits to 187 employees. The municipality uses a defined contribution provident fund with Cape Joint Retirement Fund, which is subject to the Pensions Fund Act for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The total of expenses paid to the employees defined contribution plan(s), is as follows:

## 2015

Councillors Pension Fund  
Cape Retirement Fund

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 17. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Reversed during the year	Total
Provision for landfill site	3,518,969	404,681	-	3,923,650
Other provisions	1,126,416	-	(1,126,416)	-
	<b>4,645,385</b>	<b>404,681</b>	<b>(1,126,416)</b>	<b>3,923,650</b>

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Reversed during the year	Total
Provision for landfill site	1,565,000	1,953,969	-	3,518,969
Other provisions	-	-	1,126,416	1,126,416
	<b>1,565,000</b>	<b>1,953,969</b>	<b>1,126,416</b>	<b>4,645,385</b>

#### Environmental rehabilitation provision

#### Provision for environmental rehabilitation

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs. A valuation was performed by independent experts in 30 June 2016 and current year provision was adjusted by prime rate of 10.50% plus 1%.

### PROVISION FOR LONG SERVICE AWARDS

Discount Rate: IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 7.66% per annum has been used. This rate does not reflect any adjustment for taxation. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.13%. These rates do not reflect any adjustment for taxation.

### 18. Accumulated surplus

### 19. Revenue

Government grants & subsidies	280,272,092	301,747,854
Interest received - investment	2,042,096	2,706,138
Miscellaneous other revenue	11,010,893	7,337,104
Other income - (rollup)	479,462	2,389,079
Property rates	24,966,992	10,418,008
Rental of facilities and equipment	170,550	62,179
Royalty income	1,159,865	599,796
Service charges	17,597,140	30,944,892
	<b>337,699,090</b>	<b>356,205,050</b>

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 19. Revenue (continued)

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Interest received - investment	2,042,096	2,706,138
Miscellaneous other revenue	11,010,893	7,337,104
Other income - (rollup)	479,462	2,389,079
Rental of facilities and equipment	170,550	62,179
Royalty income	1,159,865	599,796
Service charges	17,597,140	30,944,892
	<b>32,460,006</b>	<b>44,039,188</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Taxation revenue</b>		
Property rates	24,966,992	10,418,008
<b>Transfer revenue</b>		
Government grants & subsidies	280,272,092	301,747,854
	<b>305,239,084</b>	<b>312,165,862</b>

### 20. Service charges

Sale of electricity	4,584,267	5,259,100
Sale of water	10,000,528	22,822,755
Solid waste	1,077,561	976,133
Sewerage and sanitation charges	1,934,784	1,886,904
	<b>17,597,140</b>	<b>30,944,892</b>

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>21. Property rates</b>		
<b>Rates received</b>		
Agricultural	25,500,471	24,572,449
Commercial	7,248,750	1,321,171
Residential	12,369,739	7,460,408
State	3,847,887	-
Less: Rebates	(23,999,855)	(22,936,020)
	(7,782,229)	(15,475,612)
	<b>24,966,992</b>	<b>10,418,008</b>

Property rates are levied monthly on a fair market value on properties and are payable the 1st working day of each month.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

## VALUATIONS

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Approved terric is applied to property valuations to determine assessment rates for different categories e.g residential rates have thier own tariff rates. Rebates of ) are granted to agriculture. residential and state property owners.

Rates are levied on an annual basis with the final date for payment being Friday, June 30, 2017 . Interest at prime plus 1% per annum.

The new general valuation will be implemented on 01 July 2018.

## 22. Rental of facilities and equipment

<b>Premises</b>		
Premises	19,996	17,437
<b>Facilities and equipment</b>		
Rental of facilities	150,554	44,742
	<b>170,550</b>	<b>62,179</b>

## 23. Other income

Admin fees	12,752	14,885
Cemetry fees	254	228
Grading fees	29,167	22,025
Insurance claims received	2,862	461,226
Miscellanoues Income	10,140	-
Other income 20	82,632	-
Photocopies	7,927	20,738
Profit on disposal of assets	-	1,422,204
Skills development claims income	-	8,008
Telephone cost reclaimed	101,561	236,382
Tender documents	156,930	133,055
Water connection fees	75,237	70,328
	<b>479,462</b>	<b>2,389,079</b>



Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>24. MISCELLANEOUS INCOME</b>		
MISCELLANEOUS INCOME	479,462	2,389,079

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	110,502,871	112,302,620
Municipal Systems Improvement Grant	-	930,000
Financial Management grant	1,742,408	1,675,000
Library grant	1,869,765	371,470
	<b>114,115,044</b>	<b>115,279,090</b>
<b>Capital grants</b>		
Rural Household Infrastructure Grant	-	14,849,510
Provincial Dept of Housing grant	9,615,250	13,775,748
Municipal Infrastructure Grant (MIG)	57,839,000	63,599,000
Water Operation and Subsidy Grant	-	22,500,000
South 32 Grant	12,477,893	9,408,506
Municipal Water Infrastructure Grant (MWIG)	-	60,000,000
Extended Public Works Programme (EPWP)	1,040,905	2,336,000
Water Service Infrastructure	85,184,000	-
	<b>166,157,048</b>	<b>186,468,764</b>
	<b>280,272,092</b>	<b>301,747,854</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 50 kw free electricity and register is available for registered indigent linked to eskom which is funded from the equitable share grant. Water is free for community and standpipe is prepaid water and 6kl free water is linked.

### Extended Public Works Programme (EPWP)

Current-year receipts	1,050,000	2,336,000
Conditions met - transferred to revenue	(1,040,905)	(2,336,000)
	<b>9,095</b>	<b>-</b>

EPWP Grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and the maintenance of buildings: low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation, sanitation, pipelines( excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land based livelihoods; social services programmers;health service programmers; and community safety programmers .

### Financial Management grant

Current-year receipts	1,810,000	1,675,000
Conditions met - transferred to revenue	(1,742,408)	(1,675,000)
	<b>67,592</b>	<b>-</b>

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

## MUNICIPAL INFRASTRUCTURE GRANT (MIG)

Current-year receipts	57,839,000	63,599,000
-----------------------	------------	------------

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>25. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(57,839,000)	(63,599,000)
	-	-

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions, servicing poor communities.

### Library grant, FMG and EPWP

Balance unspent at beginning of year	381,030	381,030
Current-year receipts	1,763,000	752,500
Conditions met - transferred to revenue	(1,869,764)	(371,470)
Unspent grant-FMG and EPWP	62,037	(381,030)
	<b>336,303</b>	<b>381,030</b>

Maintain existing library facilities assist in supervision and administration of staff in public libraries; Establish library structures: Friends; committees; Support library awareness programmes; Collect revenue from public libraries and deposit into municipal bank accounts.

### MUNICIPAL WATER INFRASTRUCTURE GRANT (MWIG)

Current-year receipts	-	60,000,000
Conditions met - transferred to revenue	-	(60,000,000)

- -

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

### FINANCIAL MANAGEMENT GRANT

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)

- -

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

### RURAL HOUSEHOLD INFRASTRUCTURE GRANT

Current-year receipts	-	14,849,510
Conditions met - transferred to revenue	-	(14,849,510)

Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

	-	-
--	---	---

Conditions still to be met - remain liabilities (see note 13).  
Provide explanations of conditions still to be met and other relevant information.

WATER OPERATION AND SUBSIDY GRANT

Current-year receipts	-	22,500,000
-----------------------	---	------------

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 25. Government grants and subsidies (continued)

Conditions met - transferred to revenue	-	(22,500,000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

#### South 32 Grant

Current-year receipts	12,477,893	9,408,506
Conditions met - transferred to revenue	(12,477,893)	(9,408,506)
	-	-

The subsidy is utilized to subsidise, refurbish and restore the functionality of water services schemes previously owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the Department.

#### Provincial Dept of Housing grant

Current-year receipts	9,615,250	13,775,748
Conditions met - transferred to revenue	(9,615,250)	(13,775,748)
	-	-

To provide funding for the creation of sustainable and integrated human settlements

#### Water Service Infrastructure

Current-year receipts	85,184,000	-
Conditions met - transferred to revenue	(85,184,000)	-
	-	-

To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; to provide interim, intermediate water and sanitation services that ensure the provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes and on-site solutions; to support drought relief projects in affected municipalities

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>26. Employee related costs</b>		
Basic	32,633,985	30,765,207
Bonus	4,799,728	2,011,049
Cell Phone Allowance	649,900	499,800
Pension Fund	5,353,605	4,928,962
Housing benefits and allowances	2,767,493	2,528,927
Leave pay provision charge	3,834,176	415,714
Long-service awards	179,479	2,207,732
Medical aid - company contributions	3,441,946	3,177,775
Industrial Council	17,833	16,952
Overtime payments	1,775,884	1,766,348
SDL	497,793	489,778
Transport allowance (bus coupons)	6,624,271	7,159,443
Travel, motor car, accommodation, subsistence and other allowances	2,562,488	3,068,459
UIF	301,702	286,960
	<b>65,440,283</b>	<b>59,323,106</b>

Key management personnel:

### Remuneration of municipal manager

Annual Remuneration	610,457	-
Subsistence Allowance	87,000	-
Public Office Allowance	80,000	-
Cell Phone Allowance	35,000	-
Transport Allowance	300,000	-
Travel Claim received	93,338	-
Leave days sold	21,284	-
	<b>1,227,079</b>	<b>-</b>

Mr T.M. Bloom was appointed as municipal manager on 2 February 2012, his contract expired 30 April 2017 and was terminated by Municipality.

### Remuneration of Chief Finance Officer

Annual Remuneration	451,126	-
Subsistence Allowance	60,000	-
Cell Phone Allowance	14,400	-
Transport Allowance	192,000	-
Travel Allowance	62,556	-
Housing Allowance	185,784	-
Leave days sold	80,300	-
	<b>1,046,166</b>	<b>-</b>

Mrs. B.D..Mothaping was appointed as chief financial officer on 1 June 2012, she was still the active Acting chief financial officer on year end.

### Remuneration of the corporate services manager

Annual Remuneration	423,817	-
Public Office Allowance	77,097	-
Cell Phone Allowance	14,400	-
Transport Allowance	210,000	-
Travel Claim Received	24,658	-
Housing Allowance	177,996	-
Acting Allowance	78,516	-

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>26. Receivables from non-exchange (continued)</b>	<b>1,006,484</b>	<b>-</b>
<b>Remuneration of the community services manager</b>		
Annual Remuneration	480,000	-
Public Office Allowance	61,116	-
Cell Phone Allowance	14,400	-
Transport Allowance	155,794	-
Travel Claim Received	54,708	-
Housing Allowance	192,000	-
	<b>958,018</b>	<b>-</b>

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>26. Receivables from non-exchange (continued)</b>		
<b>Remuneration of the technical services manager</b>		
Annual Remuneration	524,998	-
Cell Phone Allowance	13,200	-
Transport Allowance	192,000	-
Travel Claim Received	148,005	-
Housing Allowance	171,912	-
	<b>1,050,115</b>	<b>-</b>
<b>Remuneration of the Local Economic Development manager</b>		
Annual Remuneration	433,413	-
Public Office Allowance	77,097	-
Cell Phone Allowance	3,600	-
Travel Allownaace	224,000	-
Travel Claim received	14,659	-
Housing Allowance	154,400	-
Back pay	4,800	-
	<b>911,969</b>	<b>-</b>



## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 27. REMUNERATION OF COUNCILLORS

Mayor	404,245	-
Speaker	352,852	-
Councillors	4,548,962	4,962,383
Councillors' pension contribution	845,027	874,774
Travel Allowance	2,434,707	2,157,977
Data and cell phone allowance	667,344	697,338

9,253,137 8,692,472

Full time councillors	Annual Remuneration	Data and Cell Phone Allowance	Travel Allowance	Travel claim	Pension Allowance	Back Pay
Mayor-Cllr D Leutlwetse	382,084	20,551	80,095	-	65,776	1,610
Speaker-Cllr M Sephekolo	326,613	24,629	135,782	24,084	57,463	1,610
Chief Whip-Cllr P J Witbooi	277,823	20,551	115,691	89,778	47,306	1,610
	<b>986,520</b>	<b>65,731</b>	<b>331,568</b>	<b>113,862</b>	<b>170,545</b>	<b>4,830</b>

Executive Committee Members	Annual Remuneration	Data and Cell Phone allowance	Travel Allowance	Travel claim	Pension Allowance	Back Pay
Cllr V Jordan	290,333	24,629	122,012	16,263	49,235	1,610
Cllr S Segame	290,333	24,629	122,012	33,822	51,164	1,610
Cllr L Seikaneng	277,823	20,551	118,808	68,994	47,306	1,610
Cllr L Kaebis	149,525	20,551	34,014	-	24,687	-
	<b>1,008,014</b>	<b>90,360</b>	<b>396,846</b>	<b>119,079</b>	<b>172,392</b>	<b>4,830</b>

Ordinary Councillors	Annual Remuneration	Data and Cell Phone Allowance	Travel Allowance	Travel Claim	Pension Allowance	Back Pay
Cllr E O Leshope	41,248	2,039	16,345	32,639	4,914	-
Cllr O H Kgopodithata	131,607	24,629	59,602	40,314	23,225	6,556
Cllr T M Mokgoje	16,194	2,039	6,999	1,793	1,929	-
Cllr K M Ditshetelo	16,194	2,039	6,999	1,929	-	-
Cllr B M Mbolekwa	41,248	2,039	16,345	5,715	4,914	-
Cllr M D Moremi	55,212	2,039	21,554	-	6,578	-
Cllr M R Pitso	44,041	2,039	17,387	7,497	5,247	-
Cllr N Selebalo	45,994	2,039	11,600	-	4,914	-
Cllr O S Moagi	16,194	2,039	6,999	-	1,929	-
Cllr M C Tehelo	16,194	2,039	6,999	-	1,929	-
Cllr Mosiapoe	41,248	2,039	16,345	4,772	4,914	-
Cllr R M Shuping	16,194	2,039	6,999	27,315	1,929	-
Cllr K Modise	131,607	24,629	59,602	52,637	23,225	6,556
Cllr D Josop	131,607	24,629	59,602	34,679	23,225	6,556
Cllr S P Segaecho	16,194	2,039	6,999	4,303	1,929	-
Cllr D C Kubang	16,194	2,039	6,999	13,141	1,929	-
Cllr M E Molawe	16,194	2,039	6,999	1,481	1,929	-
Cllr G G Moriri	16,194	2,039	6,999	12,781	1,929	-
Cllr N Mokweni	131,607	24,629	44,701	-	23,225	6,556
Cllr K T Teteme	16,194	2,039	6,999	-	1,929	-
Cllr S J Matshidiso	16,194	2,039	6,999	3,939	1,640	-
Cllr B P Matlhomantho	4,723	2,039	4,967	-	708	-
Cllr O Mokgautsi	121,804	20,551	19,867	-	21,176	6,556
Cllr T H Lobega	20,416	2,039	2,032	-	2,674	-
Cllr N Nhlapo	131,607	24,629	59,602	-	23,225	6,556
Cllr M Godisamang	119,096	20,551	28,446	-	19,366	6,556

**Joe Morolong Local Municipality**

Mr. G. Katsane	119,096	20,551	53,280	3,506	19,366	6,556
(Registration Number NC 451)						
Audited Annual Financial Statements for the year ended June 30, 2017						

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 27. REMUNERATION OF COUNCILLORS (CONTINUED)

Cllr L Gwai	119,096	20,551	28,446	7,309	19,366	6,556	
Cllr S Dioka	119,096	20,551	59,913	15,670	19,366	6,556	
Cllr O Gaobodiwe	119,096	20,551	59,913	10,626	19,366	6,556	
Cllr N Morogong	119,096	20,551	28,446	6,631	19,366	6,556	
Cllr O Earabang	119,096	20,551	28,446	-	19,366	6,556	
Cllr I Matebese	119,096	20,551	53,289	7,786	19,077	6,556	
Cllr S Mmolaeng	119,096	20,551	28,446	-	19,366	6,556	
Cllr J Katong	119,096	20,551	53,280	14,051	19,366	6,556	
Cllr J Block	119,096	20,551	28,446	-	19,366	6,556	
Cllr T Sesing	119,096	20,551	28,446	-	19,366	6,556	
Cllr N Tswere	119,096	20,551	28,446	-	19,366	6,556	
Cllr K P Mosegedi	119,096	20,551	53,280	-	19,366	6,556	
Cllr G Sekokodie	119,096	20,551	53,280	8,433	19,366	6,556	
Cllr O Matsioloko	119,096	20,551	53,280	2,769	19,366	6,556	
	<b>3,157,639</b>	<b>511,253</b>	<b>1,153,623</b>	<b>321,716</b>	<b>500,732</b>	<b>144,232</b>	

#### In-kind benefits

The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor has a full-time secretary and driver at the expense of the municipality.

### 28. Finance costs

Current borrowings	2,652,757	201,738
--------------------	-----------	---------

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Other interest paid	404,681	3,462,104
	<b>3,057,438</b>	<b>3,663,842</b>

### 29. Debt impairment

Debt impairment	-	58,544
-----------------	---	--------

### 30. Repairs and maintenance

Repairs and maintenance	1,184,826	2,168,080
-------------------------	-----------	-----------

### 31. Bulk purchases

Electricity	6,062,456	5,992,490
Water	4,955,297	4,103,002
	<b>11,017,753</b>	<b>10,095,492</b>

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Rand Water.

### 32. Contracted services

Legal fees	1,081,075	45,005
Security costs	2,070,055	-
Consultancy and other profession fees	33,146,559	9,344,855
Other Contractors	1,264,168	757,679
	<b>37,561,857</b>	<b>10,147,539</b>

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>33. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Government grants	25,224,516	60,603,698
<b>34. Depreciation and amortisation</b>		
Other asset 1	15,271,276	57,117,989
<b>35. General expenses</b>		
Advertising	270,458	82,650
Auditors remuneration	3,609,890	2,830,523
Bank charges	230,265	153,431
Cleaning	126,646	133,606
Computer expenses	298,679	248,941
Stores and materials	3,370,091	6,401,834
Entertainment	197,423	208,166
Insurance	968,599	611,940
Departmental expenses	1,234,366	300,035
Conferences and seminars	144,992	54,432
IT expenses	123,145	395,874
Electricity consumption	-	26,950
Other expenses	459,541	-
Horticulture	-	18,400
Levies	65,789	-
Magazines, books and periodicals	36,567	175,199
Motor vehicle expenses	4,241	45,611
Connection cost	214,122	-
Fuel and oil	5,630,319	5,744,585
Postage cost	29,874	22,016
Printing and stationery	341,497	345,642
Protective clothing	507,211	-
Cemetery cost	948,172	-
Security (Guarding of municipal property)	-	2,062,565
Software expenses	340,885	323,964
Subscriptions and membership fees	507,089	508,745
Telephone and fax	1,098,965	3,698,801
Training	1,146,233	594,190
Office service charges	485,844	4,320,821
Uniforms	-	265,430
Tourism development	55,000	-
Pump operation cost	2,010,155	1,869,500
Small, medium and micro enterprises support	-	9,100
Ward committee expenses	434,050	1,335,909
Community participation and HIV	656,699	189,921
Name branding	205,300	99,698
Chemicals	-	1,000
Maintenance agreement-Nashua lease expense and other	2,586,428	1,315,596
Donation	-	10,000
	<b>28,338,535</b>	<b>34,405,075</b>
<b>36. Auditors' remuneration</b>		
Fees	3,609,890	2,723,942
Consulting	-	106,581
	<b>3,609,890</b>	<b>2,830,523</b>

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>37. Cash generated from operations</b>		
Surplus	140,580,942	109,929,213
<b>Adjustments for:</b>		
Depreciation and amortisation	15,271,276	57,117,989
Debt impairment	-	58,544
Movements in retirement benefit assets and liabilities	179,479	223,914
Movements in provisions	404,681	(1,953,969)
Other non-cash items	-	(5)
<b>Changes in working capital:</b>		
Inventories	(17,076,824)	(1,604,751)
Consumer debtors	(6,452,714)	(9,721,158)
Other receivables from non-exchange transactions	(6,452,714)	(9,721,158)
Payables from exchange transactions	20,983,690	(908,733)
VAT	(17,076,824)	(1,604,751)
Taxes and transfers payable (non exchange)	(139,477)	139,477
Unspent conditional grants and receipts	(44,727)	381,030
	<b>130,176,788</b>	<b>142,335,642</b>

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Land use audit and soil capability study	198,333	-
• Planing, design and construction of traffic officeKSDM Engineering	948,402	-
• Finance lease fleet assets-Ho Tla Thata	13,964,463	-
• Road construction-Tsela Tsweu	3,365,820	-
	<b>18,477,018</b>	<b>-</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	18,477,018	-
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Certificate in Municipal Financial Management-ARMS	568,813	-
• MSCOA-Sebata	1,321,720	-
• Master rental agreement-Nashua	327,959	-
• Sedibeng water supply-Sedibeng	1,431,444	-
• Security cost-Maiktronix	384,071	-
• Store Items supply-Modirwa projects	266,772	-
• MK Security protection	2,165,707	-
• Consultancy agreement-Mabasotho	5,827,296	-
• Fuel and oil-Finesse	484,141	-
• Insurance-Better Brokers	9,014,129	-
	<b>21,792,052</b>	<b>-</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	21,792,052	-
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	18,477,018	-
Authorised operational expenditure	21,792,052	-
	<b>40,269,070</b>	<b>-</b>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### INVESTMENT PROPERTIES

The Municipality has entered into lease agreement with Vodacom , where by the lessor (Municipality) lets the premises to the lessee which Premises the lessee (Vodacom) hires from the lessor the use of Land for 16 June 2013 to 14 June 2018 for 5 years with option to renew for 4 and 11 months for monthly payment of R1420 with rate ff 6.3 % escalation clause. The size of Land is 10m x10m.

### MINIMUM LEASE PAYMENTS DUE

- within one year	23,127	-
-------------------	--------	---

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 39. CONTINGENCIES

As at year-end the municipality was involved in litigation claims on 26 July 2017 between Obakeng Donald Gabotshelile and Joe Morolong Local Municipality. The parties are discovering documents and will apply for trial when ready. The amount of contingent liability is R60 000.00.

Demora Modiles JV, application for tender 145/2016 Fencing of Municipality yard. Contempt of court order made in between which was dismissed. The amount of contingent liability is R1 600 000.00.

Od Gabotshileli Obo TG Thipe//Joe Morolong, Delictual claim from wrongfully causing the death of a minor child. The amount of contingent liability is R1 200 000.00.

Total contingent liabilities at 30 June 2017 amount to R2 860 000.00.

### 40. RELATED PARTIES

Municipality does not have any related parties. No transactions occurred with related parties during the reporting period other than those at arms length as consumers of municipal services.

### 41. PRIOR PERIOD ERRORS

1 & 2. Consumer debtors have been reconciled to agree to the debtors listing. This was done to improve debt collection and to effect proper analysis of the debtors book. In addition, the receivables from exchange transactions have been renamed consumer debtors for better presentation.

3. Property, Plant and Equipment has been restated to reflect the correct figures as per the fixed assets register. Incorrect figures were previously recorded in the accounting records.

4. The payables records included old balances which were not supported by any list and hence the creditors listing was overstated by the lumped amounts without names of any creditors. The municipality has since implemented strict creditor management and cleared all unsubstantiated balances.

5. There was a mismatch of processing in the municipality's accounting system in the previous years. This caused the ledger bank balance not to agree to the municipality's cash book balances. This has been corrected.

### 42. RISK MANAGEMENT INTEREST RISK

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rate.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to a fair interest rate risk. Municipality is to maintain all of its borrowings in fixed rate instruments.

### CAPITAL RISK MANAGEMENT

The capital structure of the municipality consists of the debt, cash and cash equivalent and equity as disclosed in the Statement of Financial Position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.



# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

FINANCIAL RISK

MANAGEMENT LIQUIDITY

RISK

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

## 42 RISK MANAGEMENT

### (CONTINUED) CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. The municipality does not perform an evaluation of the credit risk relating to its customers and therefore risk limits are not set.

## 43 GOING CONCERN

We draw attention to the fact that at June 30, 2017, the Municipality had accumulated surplus of R 1,776,800,944 and that the municipality's total assets exceed its liabilities by R 1,776,800,944. The use of the going concern principle is appropriate.

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## 44 EVENTS AFTER THE REPORTING DATE

The municipality is unaware of any events after the reporting date which required disclosure and or adjusting events.

## 45. Unauthorised expenditure

Opening balance	385,901,653	285,677,693
Current year	61,966,801	100,223,960
<b>Unauthorised expenditure under investigation</b>	<b>447,868,454</b>	<b>385,901,653</b>

The above unauthorised expenditure is within the votes and is as a result of overspending on various votes on the budget, therefore the total approved expenditure is overspend. This is unauthorised expenditure was tabled to council in accordance with section 23 (6) of the Budget and Reporting Regulations. The overspending is as results of capital expenditure budgtd in statement of financial performance vote that we capitazed to statement of financial position at year end.

Council is currently investigating the opening balance and current fruitless and wasteful expenditure, irregular expenditure and unauthorised expenditure which is not quantified above.

## 46. Fruitless and wasteful expenditure

Opening balance	1,079,623	1,064,828
Current year	2,470,763	14,795
<b>Fruitless and wasteful expenditure under investigation</b>	<b>3,550,386</b>	<b>1,079,623</b>

Fruitless and wasteful expenditure was due to the late payment of some of the municipalities' accounts. Council is currently investigating the opening balance and current fruitless and wasteful expenditure, irregular expenditure and unauthorised expenditure which is not quantified above.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
<b>47. Irregular expenditure</b>		
Opening balance	88,719,822	81,260,000
Add: Irregular Expenditure - current year	-	7,459,822
<b>Irregular expenditure under investigation</b>	<b>88,719,822</b>	<b>88,719,822</b>

The Irregular expenditure listed above arose as a result of various non-compliances to the Supply Chain Regulation as well as non-compliance to the Supply Chain Policy of the municipality. Further explanations and descriptions are listed in the Deviation registers. Council is currently investigating the opening balance and current fruitless and wasteful expenditure, irregular expenditure and unauthorised expenditure which is not quantified above.

### DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

	-
<b>Details of irregular expenditure condoned</b>	
	-
<b>Details of irregular expenditure recoverable (not condoned)</b>	
	-
<b>Details of irregular expenditure not recoverable (not condoned)</b>	
	-

### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Current year subscription / fee	3,609,893	2,723,942
Amount paid - current year	(3,609,893)	(2,723,942)
	-	-

#### PAYE and UIF

Opening balance	829,938	-
Current year subscription / fee	7,837,225	-
Amount paid - current year	(7,559,062)	-
	<b>1,108,101</b>	<b>-</b>

#### Pension and Medical Aid Deductions

#### VAT

VAT receivable	22,268,455	5,191,631
----------------	------------	-----------

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

## Councillors' arrear consumer accounts

During the year the following Councillors' had arrear accounts outstanding for more than 90 days June 30, 2017:

None of Joe Morolong Local Municipality's Councillors have consumer accounts in arrears as at year end.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 48. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE

#### MANAGEMENT ACT (CONTINUED) SUPPLY CHAIN MANAGEMENT

##### REGULATIONS

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

### 49. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the audited annual financial statements.

The following goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

#### Deviation reasons and amounts

Lowest supplier not registered in Municipal data base as required. Services was therefore awarded to Davince Hospitality	4,400	-
The municipality is using Pitney Bowes Batsumi Enterprise as part of support for franking machine therefore we need to load credit from the same company.	14,400	-
Khathu Bulletin and Khathu Gazette are the only two responsive and mostly read local newspaper in Joe Morolong Area in terms of coverage	9,815	-
Government Printing Works is the sole custodian of Northern Cape Province Gazetting	12,500	-
Black Sparrow Tadiing was only suitable accommodation available.	59,100	-
Rapa guest house no pre payment required	1,900	-
Protea Hotel sent quotation to municipality and others were fully booked	43,362	-
PBSA (Pty) part of support for franking machine	11,487	-
Mutambashora Trading-emergency	95,500	-
Media 24-corrections in previous advert for Municipality Manager, same news papers were used	16,416	-
CFA-corrections in previous advert for Municipal Manager, same news papers were used.	4,573	-
Lithotech sales-only accredited service provider	5,645	-
	<b>279,098</b>	<b>-</b>

### 50. Budget differences

#### Material differences between budget and actual amounts

# Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

## 50. BUDGET DIFFERENCES (CONTINUED)

Material differences are those over xxx andxxx. The main reasons for the material differences are:

1. Service charges - Actual billing was higher than budgeted because due to debtor information verification and improvement in controls.
2. Interest trading - A large debtors book resulted in high interest being charged to consumer accounts.
3. Other income - Income received from .....resulted in other income being significantly higher than budgeted for.
4. Property rates - Higher revenue was billed due to the implementation of the supplementary valuation roll.
5. Government grants and receipts, Public contributions and transfer payments - These are similar in nature and the difference is only due to re-classifications of amounts recognised in revenue. The net difference is not material.
6. Depreciation - There is an increase in depreciation due to a number of large projects being completed and now increasing the annual depreciation charge while there were very little asset disposals.
7. Repairs and maintenance - The difference between actual expense and budget is that
8. Grants and subsidies paid -

## CHANGES FROM THE APPROVED BUDGET TO THE FINAL BUDGET

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

## 51. INVESTMENT

### REVENUE INTEREST

#### REVENUE

Bank	2,042,096	2,706,138
------	-----------	-----------

## 52. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

### Statement of financial position

#### 2016

	Note	As previously reported	Correction of error	Reclassification	Restated
Inventories		1,577,652	(996,344)	1,845,739	2,427,047
Cash and cash equivalents		21,570,148	-	-	21,570,148
Vat receivable		4,290,274	901,357	-	5,191,631
Water assets		1,376,876,699	-	26,862,298	1,403,738,997
Work In Progress		144,801,444	-	664,340	145,465,784
Payables		47,027,821	-	(14,550,386)	32,477,435
Finance lease		37,669,951	(5,560,614)	-	32,109,337
Retention fees		12,906,171	-	-	12,906,171
Provisions		3,518,969	-	-	3,518,969

Joe Morolong Local Municipality

(Registration number NC 451)	1,650,239,129	(5,655,601)	14,821,991	1,659,405,519
Audited Annual Financial Statements for the year ended June 30, 2017				
Statement of financial performance				

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

Figures in Rand	2017	2016
-----------------	------	------

### 52. Prior-year adjustments (continued)

#### 2016

	Note	As previously reported	Correction of error	Reclassification	Restated
Revenue from exchange transactions		43,439,392	-	599,796	44,039,188
Revenue from non exchange transaction		10,784,001	(366,993)	-	10,417,008
Employee related cost		56,713,707	-	2,609,399	59,323,106
Repairs and maintenance		30,615,122	-	(28,447,042)	2,168,080
General expenditure		43,806,125	-	(6,450,670)	37,355,455
<b>Deficit for the year</b>		<b>185,358,347</b>	<b>(366,993)</b>	<b>(31,688,517)</b>	<b>153,302,837</b>

#### Cash flow statement

#### 2016

	Note	As previously reported	Correction of error	Restated
Cash flow from investing activities				
Finance lease Finance lease obligation		37,669,951	(22,977,318)	14,692,633

#### Payables from exchange

Payable were adjusted with leave provision , Incorrect number of days were used to calculated leave provision and audit adjustment of R415 713.67 was processed after recalculating leave days balance as per auditing finding. Debtors with credit balance have been adjusted with R7 119 957 in journal 7 to agree debtors with credit balance with debtors listing with credit balance. Accrued bonus provision of R2 706 114. Retention fees of R12 906 171 was remapped to payables from exchange note 10 in restated AFS.

## INVENTORY

Inventory incorrectly disclose with opening balance amount as per inventory year end stock count count report. Error of inventory stock issue to the value of R1 845 739.32 was credited to inventory while never capitalized. Error was corrected by adjusting inventory with R1 845 739.32 and audit adjustment to correct inventory to agree to correct inventory closing stock as per year end stock count report

## RECEIVABLES FROM EXCHANGE AND NON EXCHANGE

Receivables from exchange and non exchange were remapped, Property rates were remapped correctly to non receivables from exchange at Gross of R47 392 117 less debt impairment provision of R40 997 014. Receivables from exchange were remapped , Electricity, water, sewerage, refuse and service debtors at a gross of R94 141 136 less debt impairment of R89 980 356.

## VALUE ADDED TAX

Variance between VAT input and vat 201 were adjusted with correct VAT input variance as noted in EX.100. No variance noted for month of March 2016 as indicated in the audit finding. Vat input adjustment of Journal 8 and 5 of R448 072.38 , R270 223.74 respectively and journal 5 of R97 007.61 which is vat input incorrectly expensed to WIP community expense. Journal for accrual of Ram Electricity of R90 0053.27



**Joe Morolong Local Municipality**

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

**CASH AND CASH EQUIVALENT**

Bank and cash agreed to audited Annual Financial statement. No adjusment in bank and cash.

**PROPERTY PLANT AND EQUIPMENT**

**52 PRIOR-YEAR ADJUSTMENTS (CONTINUED)**

Infrastructure assets, water was adjusted by R26 862 298 of Borehole refurbishment and water reticulation that was incorrectly expensed to repairs and maintenance vote exception 90.

Work In Progress was adjusted by R664 340 of traffic department WIP that was incorrectly expensed to repairs and maintenance vote. Refer to exception 90.

**FINANCE LEASE OBLIGATION**

Finance lease obligation was restated with amount of R32 109 337 which made up of current and non current portion of R18 243 143 and R13 866 194 respectively. Initial lease obligation was raised for R46 802 970 and payment of R14 693 633 Fleet expense in general expenses was capitalized to finance lease obligation.

**REVENUE FROM EXCHANGE TRANSACTIONS**

Rent income was mapped to other income in audited Annual Financial statements, we have remapped rent income to rental of facilities and equipment amount to R62 179. Miscellaneous income could not be traced to audited financial statements. Variance between audited annual financial statements of R599 796 is due to difference between total revenue from exchange of R 43 439 392 in audited annual financial statements and restated balance of R44 039 188 that include miscellaneous income.

**REVENUE FROM NON-EXCHANGE TRANSACTION**

Sundry income of R366 993 in the audited annual financial system is miscellaneous revenue. The correct amount for Miscellaneous is R599 796 as Sebata report.

**EMPLOYEE RELATED COST**

There was increase in related figures for employee related cost from R56 713 707 as per audited afs to R 59 323 106. Variance is due to leave provision audit adjustment of R415 714. Error was due to incorrect number of days used in calculation of leave provision. Subsistence and travel allowance was remapped from general expenditure to employee related cost amount to R3 068 459. Non pensionable allowance of R891 726 and Industrial council of 16 952, was remapped to councillor's remuneration and add to R874 774.

**GENERAL EXPENDITURE**

General expenditure decreased from R43 806 125 as per audited AFS to R37 355 455 as per restated afs. Variance of R6 450 670 is due to remapping of various accounts. Advertising cost decrease from R428 292 as per audited afs to R82 650.

Variance of R345 642 was remapped to printing and stationery. Commission paid, legal cost and consulting fees were remapped to consultancy fee amount to R6 682 768 and R3 031 439 respectively. Computer expenditure of R254 323 is wrong audited afs. Correct balance as per lead and Sebata was mapped to IT expenses amount to R248 941 made up of R20 500, R185 400 and R43 041.25. Store items of R5 485 165 was remapped from repairs and maintenance. IT expenses increased from R77 416 as per audited financial statement to R395 874. The increase of R318 458 is due to software expenses mapped to IT expenses. Training cost increased from R310 366 as per audited afs to R594 190. The increase is due development cost that has been remapped to training and development cost. Departmental cost of R3 068 459 was remapped to employee related cost. Maintenance agreement, community participation, donation and printing station was remapped amount to R1 315 596, R189 921, R10 000 and R345 642 respectively.

# Joe Morolong Local Municipality

(Registration number NC 451)  
Audited Annual Financial Statements for the year ended June 30, 2017

## FINANCE LEASE OBLIGATION

Cash flow error in the cash flow statemet as per audited AFS of R37 669 951 decrease to R14 692 633. Decrease of R22 977 318 is due to error last financial year where Finance lease obligationnn was incorrectly disclosed to cash flow statement. Actual payment made to finance lease obligation amount to R 14 692 633.

### 53. CONSUM

#### ER DEPOSITS

#### HEADING

Deposits received	68,579	400
-------------------	--------	-----

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give <i>“full and regular”</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>“what we do”</i> .
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.

## Joe Morolong Local Municipality

(Registration number NC 451)

Audited Annual Financial Statements for the year ended June 30, 2017

<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>